INTERNATIONAL JOURNAL OF RESEARCH IN
COMMERCE, ECONOMICS & MANAGEMENT

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Contents

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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

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GROWTH ASPECTS OF PNB AND SBI: A COMPARATIVE STUDY

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ABSTRACT
To study about growth aspects two banks PNB and SBI have been taken from the public sector. The purpose of the study is to examine the growth aspects of both the banks and also compare the growth of the same. For this, the date has been taken from various publications such as annual books. The study is based on the data from period 2012-13 to 2017-18. The study found that the growth of SBI bank is higher as compared to PNB.

KEYWORDS
state bank of India, punjab national bank, nationalization, banking, dividend.

JEL CODES
G20, G21.

1. INTRODUCTION
The Indian banking industry is not only witnessing but participating in the developments that are reshaping the Indian economy. By the eighties, it becomes clear that in order to respond to new development taking place in the Indian economy, the banking industry would have to reorient itself to faces new challenges. Finance is the lifeblood of economic activity. The most striking is its extensive reach. It's no longer restricted to only metropolitans or cosmo-politans in India. In fact, the Indian banking industry has reached even to the remote places of the country. This is one of the main reasons for India's growth process. The government's regular policy for Indian banks since 1969 has paid rich dividends with the nationalization of fourteen major private banks of India.

2. BANKS IN INDIA
In India, the banks are being segregated in multiple groups. Each group has its own benefits and limitations in working in India. Each has its own dedicated target market. Few of them only work in the rural sector while others in both rural as well as urban. Many even are only catering to cities. Some banks are of Indian origin and some banks are foreign players.

3. PNB BANK INTRODUCTION
On May 19, 1894, Punjab National Bank (PNB) was registered under the Indian Companies Act with its office in Anarkali Bazaar Lahore. The Bank, founded by Dyal Singh Majithia and Lala Harkishen Lal, is the second largest government-owned commercial bank in India. The bank has over 110 million customers, 7001 branches (7,000 as on 2nd Oct, 2018) and 10681 ATMs across 764 cities, as of 31 March 2019.
PNB has a banking subsidiary in the UK (PNB International Bank, with seven branches in the UK), as well as branches in Dubai, Hong Kong, Kabul and Kowloon. It has representative offices in Dubai (United Arab Emirates), Shanghai (China), Almaty (Kazakhstan), Sydney (Australia) and Oslo (Norway). In Bhutan, it owns 51% of Druk PNB Bank, which has 5 branches. In Nepal, PNB owns 20% of Everest Bank Limited, which has fifty branches. Lastly, PNB owns 84% of JSC (SB) PNB Bank in Kazakhstan, which has 4 branches.

4. SBI BANK INTRODUCTION
State Bank of India (SBI) Group is the largest financial services conglomerate in India. Headquartered in Mumbai, SBI provides a wide range of products and services to commercial enterprises, large corporates, individuals, public bodies and institutional customers through its various branches, joint ventures and subsidiaries, outlets and associate companies. The Group comprises of State Bank of India (SBI), foreign banking subsidiaries/ joint ventures and its various non-banking sub-sidiaries/ joint ventures.
SBI, the flagship company of the group, traces its ancestry to Bank of Calcutta founded in 1806. It was the first bank established in India, and over a period of time, developed into State Bank of India (SBI). SBI represents a sterling legacy of over 200 years. It is the oldest commercial bank in the Indian subcontinent, strength-ening the nation's trillion-dollar economy and serving the aspirations of its vast population. The Bank is India's largest commercial Bank in terms of assets, deposits, branches, number of customers and employees, enjoying the faith of millions of customers across the social spectrum.
A Fortune 500 company, SBI has entered into the league of top 50 global banks with a balance sheet size of over Rs 30 lakh crore, over 24,000 branches and 59,000+ ATMs serving over 42 crore customers after the merger of its five Associate Banks and Bharatiya Mahila Bank on 1st April 2017. SBI has an overseas presence through 195 foreign offices spread across 36 Countries.

5. RESEARCH METHODOLOGY
In this paper, an attempt has been made to study and compare the growth of SBI and PNB. The growth of the selected banks has been studied on the basis of various indicators. The growth of both the Banks are examining on the basis of various indicators like Growth of deposits, Branch expansion, Number of employees,

Credit deployment and Borrowings. The secondary data has also been collected from the websites of the selected banks. The data collected has been tabulated and analyzed by using charts. The period of study is 2012-13 to 2017-18.

6. NEED OF THE STUDY

Since the era of economic reforms, the banking sector has been witnessing numerous changes. The new private sector banks and foreign banks have also introduced the number of new innovative products. These banks are also offerings their services through new age distribution channels like ATM, internet banking, phone banking, etc. All these factors have affected the performance of both the public sector banks and private sector banks. A large no of studies have already been conducted in the banking sector but these studies have covered the period prior to 2013. So the present study is an attempt to analyses and compares the growth and performance of SBI and PNB Bank during the period 2012-2013 to 2017-2018.

7. OBJECTIVES OF THE STUDY

The following are the main objectives of the study:
1. To measure the progress of selected banks with regard to the number of branches, deposits, advances and borrowings and employment generation.
2. To compare the progress of selected banks with regard to the number of branches, deposits, advances and borrowings and employment generation.

8. LIMITATION OF THE STUDY

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned hereunder so that the findings of the study may be understood in a proper perspective. The limitations of the study are:
- The study is based on the secondary data and the limitation of using secondary data may affect the results.
- The secondary data was taken from the annual reports of the banks. It may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the banks.

9. SCOPE OF THE STUDY

The present study has been undertaken to measure and evaluate the performance of two banks. The study covers a period of 6 years that is from the year 2012-2013 to the year 2017-2018. The sample of the study takes into account two banks from the public sector.

10. GROWTH OF PNB AND STATE BANK OF INDIA

Financial analysis is mainly done in order to judge the growth of the banks but analyzing the information contained in the financial statements. Financial analysis is done to identify the financial strengths and weaknesses of banks by properly establishing the relationship between the items of balance sheet and profit and loss account. It helps in better understanding of banks financial position and growth and performance by analyzing the financial statements with various tools and evaluating the relationship between various elements of financial statements. The term "financial statement analysis" includes both "analysis" and "interpretation". The term "analysis" is used to mean the generalization of data given in the financial statements by systematic arrangements and classification of data and "interpretation" means explaining the meaning and significance of the data so simplified. However, both analysis and interpretation are interlinked and complementary to each other. In this paper, an attempt has been made to study the growth of both Punjab National Bank and State Bank of India. For analyzing the growth of the selected banks understudy for the period 2012-2013 to 2017-2018.

For this purpose, the following parameters have been studied.
- Growth of deposits
- Branch expansion
- Number of employees
- Credit deployment
- Borrowings

11. DEPOSITS

Deposits serve as the basis for capital formation and facilitate the process of economic development. Deposits are one of the important growth-oriented functions of the banking industry. In our country, great emphasis has been placed on deposits mobilization by banks. Banks obtain a big amount of their working capital from deposits. Since their lending and profit earning capacities depend upon deposits. The management of banks is always engaged in working out plans and schemes to mobilize deposits. The total deposits depend upon the no. of factors like the monetary policy and deposit mobilization by other commercial banks. The deposits of PNB and SBI banks have been shown in table 1.1.

TABLE 1.1: GROWTH IN DEPOSITS (Rs. In crores)

Years	PNB	SBI
2012-2013	391560	1202740
2013-2014	451397	1394409
2014-2015	501379	1576793
2015-2016	553051	1730722
2016-2017	621704	2044751
2017-2018	642226	2706344

(Source: Compiled from annual reports of both the banks for the period 2012-2013 to 2017-2018)

CHART 1.1
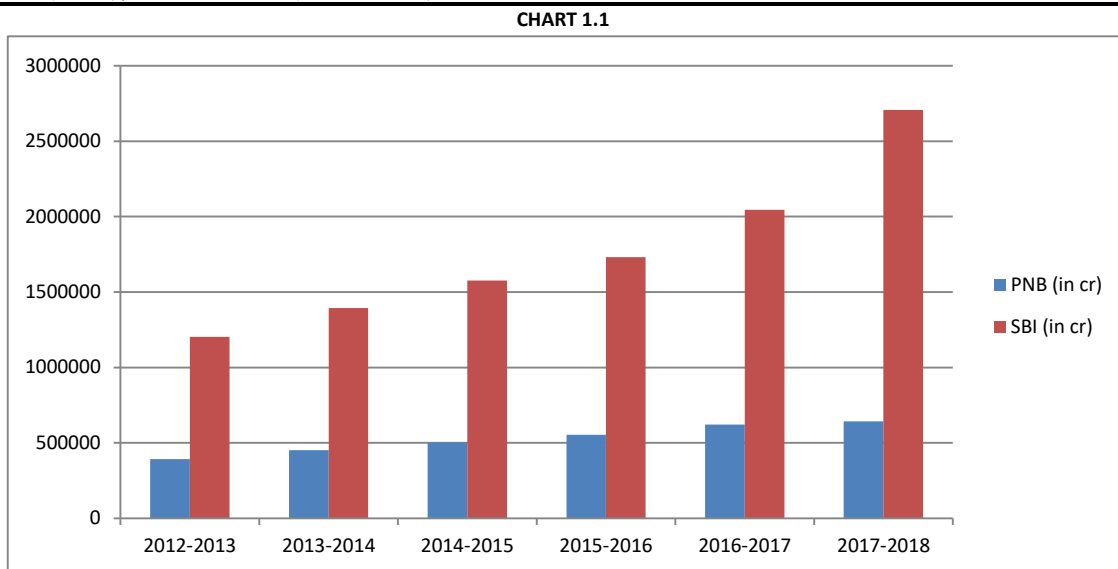
Table 1.1 shows that the deposits of PNB have been increased from Rs. 3,91,560 crs. in year 2012-13 to Rs. 6,42,226 crs. in year 2017-18. Further the deposits of SBI have been increased from Rs. 12,02,740 crs to Rs. 27,06,344 crs. The figure 1.1 shows that both the banks show the rising trend but there is more growth in deposits in SBI as compared to the PNB.

12. NUMBER OF BRANCHES

The branch expansion policy seeks to achieve broad objectives (a) narrowing down regional imbalance and (b) providing banking facilities to rural and neglected areas. The policy mainly emphasizes on opening more offices in rural and semi-urban areas and centres which have few or no branches without jeopardizing branch expansion in urban and metropolitan cities. The main emphasis of the branch licensing policy is on areas where the population per branch is higher than the national average. The number of branches of PNB and SBI bank is given in table 1.2.

TABLE 1.2: GROWTH IN NUMBER OF BRANCHES

Years	PNB	SBI
2012-2013	5874	14816
2013-2014	6201	15869
2014-2015	6560	16333
2015-2016	6760	16784
2016-2017	6937	17170
2017-2018	6983	22414

(Source: Compiled from annual reports of both the banks for the period 2012-2013 to 2017-2018)

CHART 1.2

Table 1.2 indicates that the number of branches of PNB is increased from 5874 in year 2012-13 to 6983 in year 2017-18 the major growth was in the year 2013 - 2014. Further there is uprising trend in case of SBI.It increase from 14816 in years 2012-13 to 22414 in years 2017-18. But the growth in SBI is much higher as compared to PNB.

13. NUMBER OF EMPLOYEES

Unemployment is one of the main problems for an underdeveloped country and developing country. Employment generation is another criterion on which the working of the banks can be evaluated. However, employment so generated should improve the business of banks and the quality of service they provide.

TABLE 1.3 NUMBER OF EMPLOYEES

Years	PNB	SBI
2012-2013	63292	228296
2013-2014	65541	222033
2014-2015	68290	213238
2015-2016	70801	207739
2016-2017	73919	209567
2017-2018	74897	264041

(Source: Compiled from annual reports of both the banks for the period 2012-2013 to 2017-2018)

CHART 1.3

Table 1.3 shows that the number of employees in PNB bank increased from 63292 in year 2012-13 to 74897 in year 2017-18. Further in case of SBI there is an decreasing trend the number from 228296 in year 2012-13 to 222033 in year 2013-2014 and to 213238 in year 2014-15 and slightly decreased in year 2015-16 is 207739 and tells decreasing trend in the year 2016-17 is 209567 and increased in year 2017-18 to 264041 employees. But the pace of growth is too much high as compared to PNB. This too much growth in number of employees in SBI led to decrease in productivity because there is no much increase in profits and business according to the growth in number of employees.

14. CREDIT DEPLOYMENT

Lending or advancing loan is one of the main functions of all the banks. A bank provides a loan directly or indirectly. Lending is done on the basis of funds raised by accepting deposits from the public. Advances provide income to the banks in a form of interest and discount on the one hand and promote the economic development of the country by meeting the financial needs of industries and commercial establishment on the other hand. Credit deployment of both the banks is shown in table 1.4

TABLE 1.4: CREDIT DEPLOYMENTS (Amt. in crores)

Years	PNB	SBI
2012-2013	308796	1045617
2013-2014	349269	1209829
2014-2015	380534	1300026
2015-2016	412326	1463700
2016-2017	419493	1571078
2017-2018	433735	1934880

(Source: Compiled from annual reports of both the banks for the period 2012-2013 to 2017-2018)

CHART 1.4
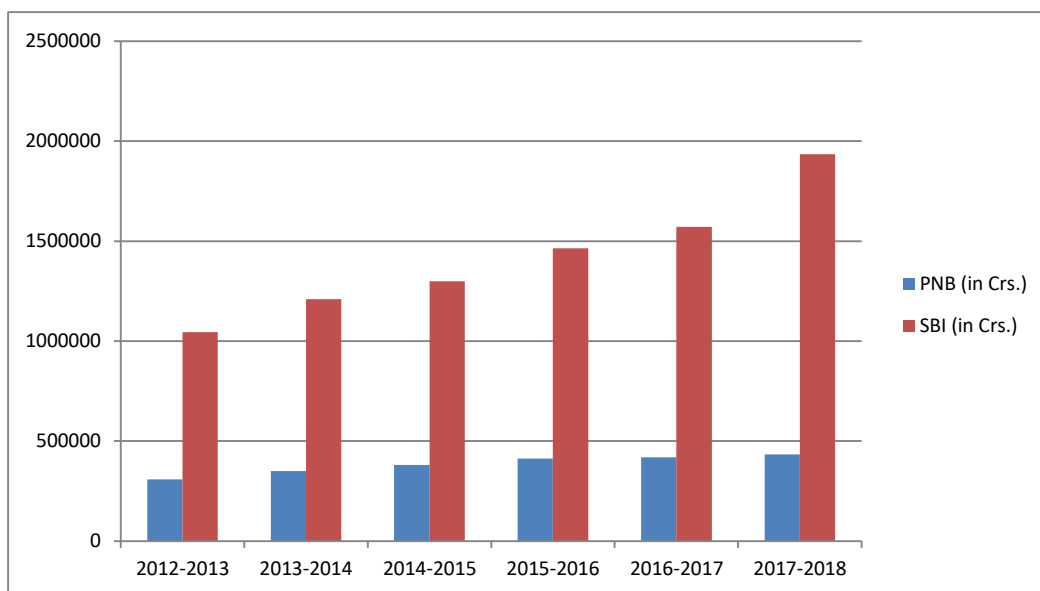
Table 1.4 shows that the total advances of PNB bank have been increased Rs. 308796 crs in year 2012-13 to Rs. 433735 crs in year 2017-18. There is growth as compared to year 2012. Further in case of SBI the advances are increased from Rs 1045617 crs in year 2012-13 to Rs 1934880 crs in year 2017-18. There is a growth of near about 85% as compared to year 2012-13. It is cleared that the growth rate of SBI is more as compared to PNB. But both the show a rising trend in advances.

15. BORROWINGS

Borrowings are the amount that the general public deposits in the banks in their accounts. Banks use these deposits as their resources to advance money to the borrowers with the help of cash credit. Growth in borrowings of the PNB bank and SBI has been shown in table 1.5.

TABLE 1.5: BORROWINGS (Amt in crores)

Years	PNB	SBI
2012-2013	47089	169183
2013-2014	59033	183131
2014-2015	59204	205150
2015-2016	81673	323345
2016-2017	43336	317694
2017-2018	65329	362142

(Source: Compiled from annual reports of both the banks for the period 2012-2013 to 2017-2018)

CHART 1.5
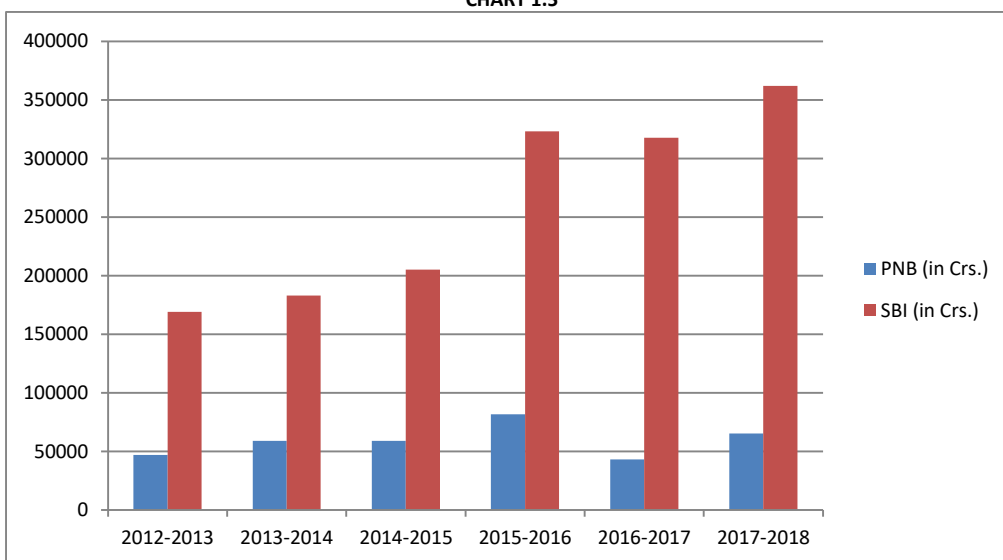
Table 1.5 shows that the borrowings of PNB are increased from Rs. 47089 crs in year 2012-13 to Rs. 65329 crs in year 2017-18. Further in case of SBI the borrowings are increased from Rs. 169183 crs. to Rs. 362142 crs in year 2017-18.

## 16. MAJOR FINDINGS OF THE STUDY

Growth of Punjab National Bank and State Bank of India

1. Deposits of PNB have been increased from Rs. 3,91,560 crs. in year 2012-13 to Rs. 6,42,226 crs. in year 2017-18. Further the deposits of SBI have been increased from Rs. 12,02,740 crs to Rs. 27,06,344 crs. The figure 1.1 shows that both the banks show the rising trend but there are more growth in deposits in SBI as compared to the PNB.
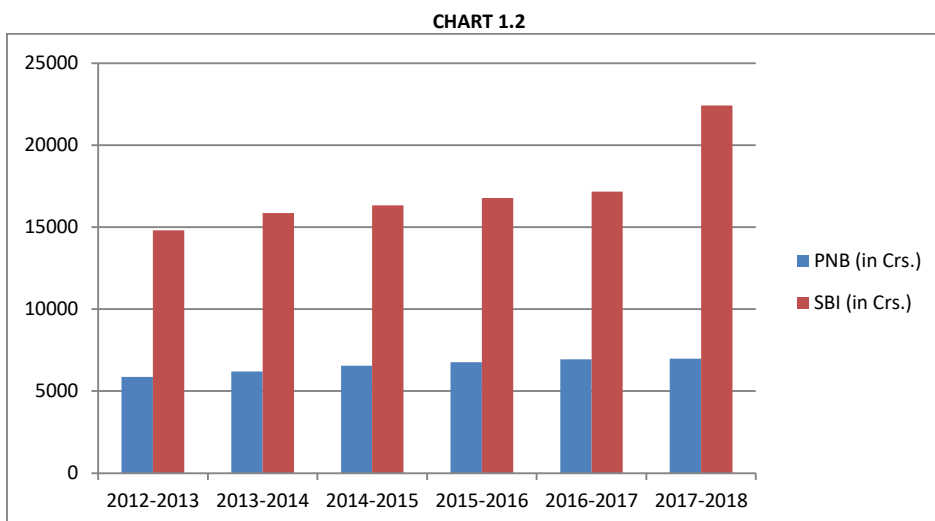2. The number of branches of PNB is increased from 5874 in year 2012-13 to 6983 in year 2017-18 the major growth was in the year 2013 -2014. Further there is uprising trend in case of SBI.It increase from 14816 in years 2012-13 to 22414 in years 2017-18. But the growth in SBI is much higher as compared to PNB.
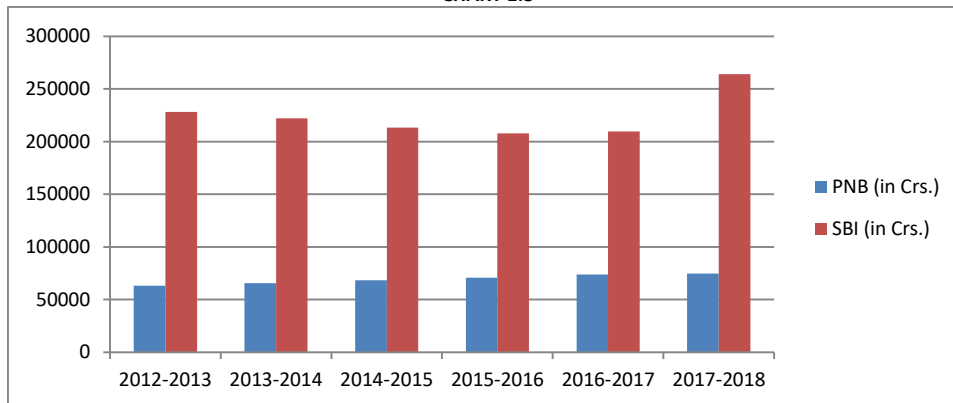3. The number of employees in PNB bank increased from 63292 in year 2012-13 to 74897 in year 2017-18. Further in case of SBI there is an decreasing trend the number from 228296 in year 2012-13 to 222033 in year 2013-2014 and to 213238 in year 2014-15 and slightly decreased in year 2015-16 is 207739 and tells decreasing trend in the year 2016-17 is 209567 and increased in year 2017-18 to 264041 employees. But the pace of growth is too much high as compared to PNB. This too much growth in number of employees in SBI led to decrease in productivity because there is no much increase in profits and business according to the growth in number of employees.
4. The total advances of PNB bank have been increased Rs. 308796 crs in year 2012-13 to Rs. 433735 crs in year 2017-18. There is growth as compared to year 2012. Further in case of SBI the advances are increased from Rs 1045617 crs in year 2012-13 to Rs 1934880 crs in year 2017-18. There is a growth of near about 85% as compared to year 2012-13. It is cleared that the growth rate of SBI is more as compared to PNB. But both the show a rising trend in advances.
5. The borrowings of PNB are increased from Rs. 47089 crs in year 2012-13 to Rs. 65329 crs in year 2017-18. Further in case of SBI the borrowings are increased from Rs. 169183 crs. to Rs. 362142 crs in year 2017-18.

17. CONCLUSION

The following are the basic conclusion from the study: The selected banks have shown growth in terms of deposits, number of branches, employees, credit deployment and borrowings. But the growth of SBI bank is higher as compared to PNB bank. For the past three decades, India's banking system has numerous outstanding achievements to its credit. The most striking is its extensive reach. It is no longer restricted to only metropolitans or cosmopolitans in India. In fact, the Indian banking system has reached even to the remote places of the country. This is one of the main reasons for India's growth process. So a public sector bank plays a crucial role in the economy.

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A STUDY ON BEHAVIORAL FINANCE IN INVESTMENT DECISIONS OF INVESTORS IN AHMEDABAD

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ABSTRACT

Behavioural financing is an evolving field that studies how psychological factors affect decision making under uncertain conditions. Behavioural finance is one of the important topics for us to know about the mind-sets of the people about how they think of various things when they invest in various investment avenues. Through this research, we came to know about the mentality of the people while they invest in various investment avenues. I.e. what do they think while investing. This paper seeks to find out the major influence of certain behavioural finance concepts such as overconfidence, perception, Representative, anchoring cognitive Dissonance, Regret Aversion, narrow framing and mental accounting on the decision-making process of individual investors in the stock market. The primary objective was to know the effects of behavioural financing on investors and to study the impact and relevance of behavioural financing in investment decision of investors. Whereas the secondary objective of our study was to know factors influencing the investors while investing and to study the concepts of behavioural financing and various theories related to it.

KEYWORDS
behavioural finance, investment avenues, psychological factors, theories.

JEL CODE
G41

INTRODUCTION TO THE TOPIC

From the mid-1950s, the field finance has been dominated by the traditional finance model developed primarily by the economists of the University of Chicago. The central assumption of the traditional finance model is that people are rational while taking decisions. However, psychologists challenged these assumptions. Economist argued that people often suffer from cognitive and emotional biases and act in a seemingly irrational manner. Field of finance is basically about decision making as to investment decision, working capital decision, dividend decision and fund allocation decision whereas the field of economics is about decision making as to what to produce, how to produce and for whom to produce. In the same way, the emerging field of behavioural finance also deals with the complex activity of decision making. Though the fields of economics and finance have contributed many theories over the years, it could not explain why people sometimes take irrational financial decision. There are studies in the field of finance which gives us theories with explanation and proofs about how the market operates and how the investors take their investment decisions. They explain the dynamics of investment and rules to apply for an investment decision. The rules seem to be simple but investors feel difficulty in applying those rules. Due to inefficiency in applying rules, investor's trade too much, buy or sell at the wrong time, allow emotions to overrule logic and misjudge probabilities. To reach an ideal investment decision that is the one which gives the highest return is a troublesome activity and a lot of mental work is required on the part of investors. So to get a better understanding of the investment making decision of investors it is necessary to understand the behavior and psychology of investors and the factors affecting the investors while making an investment decision.

BEHAVIORAL FINANCE CONCEPTS
HEURISTIC DRIVEN BIASES
OVERCONFIDENCE
People tend to be overconfident and hence overestimate the accuracy of their forecasts. The human mind is perhaps designed to extract as much information as possible from what is available, but may not be aware that the available information is not adequate to develop an accurate forecast in uncertain times. Overconfidence is partially seductive once people have special data or experience no matter how insignificant that persuaded them to assume that they need an investment edge. In reality, however, most of the so-called sophisticated and knowledgeable investors do not outperform the market consistently. Another factor contributing to overconfidence is the illusion of control. People tend to believe that they have influence over future outcomes in an uncertain surroundings. Such an illusion is also fostered by factors like active involvement and positive early outcomes. Active involvement in a task like online investing gives investors a sense of control.

ANCHORING
After forming an opinion, people are often unwilling to change it, even though they receive new information that is relevant. Suppose that investors have formed an opinion that a company has above average long term earnings prospect. Suddenly, reports much lower earnings than expected. Thanks to anchoring, investors will persist in the belief that the company is above average and will not react sufficiently to the bad news. So, on the day of the earnings announcement, the stock prices would move very little. However, the stock prices would drift downwards over time as investors shed their initial conservatism. Anchoring manifests itself in a phenomenon called the post-earnings announcement decent drift which is well documented empirically.

FAMILIARITY
People are comfortable with things that are familiar to them. The human brain often uses the familiarity shortcut in choosing investments. Indeed, familiarity breeds investment. That is why people tend to invest more in the stocks of their Employer Company, local company, and domestic companies.

CONFIRMATION BIAS

People tend to overlook information that is contrary to their views in favour of information that confirms their views. Investors generally hear what they want to hear. They spend more time searching for reasons supporting their views and less time searching for reasons opposing their views.

INNUMERACY

People have difficulty with numbers and are often confused between nominal changes and real changes. Economists call this money illusion. Many times, people have difficulty in figuring out the true probabilities. Put differently the odds are that they don't know what the odds are. People tend to pay more attention to big numbers and less weight to small figures. People estimate the likelihood of an event based on past examples are and not on the basis of how frequently the event has actually occurred. People tend to ignore base rate which represents the normal experience and go more by the case rate which reflects the most recent experience.

FRAME DEPENDENCE

PROSPECT THEORY

Under this description, the utility does not depend on the level of the wealth as in standard traditional theory, but on changes in the wealth from the current level. The utility function is concave for gains. This means that people feel good when they gain, but twice the gain does not make them feel twice as good. The utility function is covex for losses. This means that people experience pain when they lose, but twice the loss does not result in twice the pains. The utility function is steeper for losses than for gains. This means that people feel more strongly about the pain from a loss than the pleasure from an equal gain – about two and half times as strongly, according to the Kahneman and Tversky. This phoneme is referred to as loss aversion.

MENTAL ACCOUNTING

Traditional finance holds that wealth in general and money **should** be thought to be fungible and each monetary call ought to be supported a rational calculation of its effects on overall wealth position. In reality, however, people do not have the computational skills and will power to evaluate decision in terms of their impact on overall wealth. It is difficult and emotionally burdensome to figure out how every short-term decision will bear on the head and what will happen to the wealth position in the long run.

NARROW FRAMING

Investors should concentrate to changes in their total wealth. Narrow framing in the cross-sectional sense means that investors tend to look at each investment separately rather than the portfolio in its reality. Hence they are more focused on price changes in individual stocks and less concerned about the behavior of the overall portfolio.

SHADOW OF THE PAST

After experiencing again, people are willing to make more risk. After winning money in a gamble, amateur gamblers somehow don't fully consider the winning as their own and are hence are tempted to risk it in further. Gamblers refer this as the house money effect. After incurring a loss, people are less inclined to take the risk. This is sometimes referred to as the snake bite effect. A loss is akin to a snake bite that makes a person more cautious.

EMOTIONAL AND SOCIAL INFLUENCES

EMOTIONAL EFFECT

Emotions have an impact on risk tolerance and risk tolerance influences portfolio selection. Investors have a variety of emotions once they consider alternatives, decide how much risk to take, watch their decisions play out, assess whether the initial strategy needs modification, and finally learn how much they have succeeded in achieving their monetary objectives. Hope and fear influence how investors evaluate alternatives. Fear induces investors to look at the downside of things, whereas hope causes them to look at the upside.

HEARD INSTINCTS / INFORMATION CASCADE

There is a natural desire on the part of humans to be a part of a group. Moving with the herd, though, magnifies the psychological biases. It induces one to decide on the feel of the herd rather than on rigorous independent analysis. This tendency is accentuated in the case of a decision involving high uncertainty.

LITERATURE REVIEW

Sr No	TITLE	AUTHOR	PARTICULAR	YEAR
1	A study on impact of behavioural finance in investment decisions of small investors	Amar Kumar Chaudhary and Puja Kumari	This research shows that investors make decisions based on emotion, not logic; most investor's buy high on speculations and sale low on panic mood. Psychological studies reveal that the pain of losing money from investment is really three times greater than the joy of earning money (Prospect Theory)	2017
2	Effect of behavioural biases on investment decisions of individual investors	Abdulahi dakane athur	The field of behavioural finance has developed in response to the increasing number of stock market anomalies (undervaluation or overvaluation) that could not be explained by traditional asset pricing models.	2013
3	A survey of behavioural factors influencing individual Investors choices of securities at the nairobi securities Exchange.	Kimani victor waruingi.	The study established that there are five behavioural factors affecting the investment decisions of individual investors at the Securities Exchange: Herding. Market Prospect Overconfidence-gamble's fallacy, and Anchoring availability bias.	2011

IMPORTANCE OF STUDY

To know the behaviour of people towards investing and decisions related to it.

STATEMENT OF THE PROBLEM

To check the relevance of Behavioural finance theories associated with it.

RESEARCH OBJECTIVES

PRIMARY OBJECTIVE

To study the impact and relevance of behavioural financing in investment decision of investors

SECONDARY OBJECTIVES

1. To study various factors influencing the investors while investment decisions.
2. To analyse the behaviour and psychology of investors
3. To know the preference of people towards investing.

HYPOTHESIS

H0: There is no influence of behavioural finance on investment decisions
H1: There is influence of behavioural finance on investment decisions

RESEARCH METHODOLOGY

SCOPE OF STUDY

- Scope of the study is limited to Ahmedabad city of India.
- Scope includes the investors of all age groups.
- Scope includes both male and female.
- The study was limited to some theories only.

RESEARCH DESIGN

The type of research design that we are using here is descriptive design because is used to describe characteristics of a population or phenomenon being studied.

DATA COLLECTION SOURCES

Primary data: Here in this research the following methods of data collection are used:- schedules, questionnaire, interview, observation methods.

Secondary data: Internet, Books, Newspaper, Articles, magazines, and blogs are some of the sources of secondary data collection that we have used for our research.

SAMPLING PLAN

Population: - People of Ahmedabad
Sampling frame: - People who invest
Sampling method: - Convenience sampling
Sampling size: - 181 people

EXPECTED CONTRIBUTION

- The relevance of behavioural financing and its importance in making investment decision can be known.
- The research will enrich the knowledge about traditional finance and different aspects of behavioural finance.
- The research can be beneficial to other researchers.

RESULTS AND DISCUSSIONS

UNIVARIATE ANALYSIS

- 36% think that they do not have sufficient knowledge about investing and 64% think that they have sufficient knowledge about investing. The above analysis shows that due to overconfidence bias, the majority of the people tend to be consistently overconfident in their ability to outperform the market.
- People give importance to past experience because the experience provides them with learning's and strategies for the future which they apply in their investments in future while some give importance to advice of a financial advisor or broker because they feel familiarity and connectedness with the broker. They are the person who knows the portfolio of investors and so investors trust them.
- Some people give importance to return because returns are the primary motivation and inspiration to the investors. Every investor invests with the desire of earning a good return. While some give importance to Advice from friends, family, and relatives because people trust their family and friends as they perceive them as their well-wishers and are under their influence. Sometimes the fear of going in opposition with relatives also work
- People are influenced by the emotions due to innumeracy and laziness of mental exercise. The people give importance to because this gives them the feeling of trust and security as they know the investment well. Some give importance to their goals because they are the reasons for the fulfilment of which the investors invest while some give importance to Newspaper/media because people perceive the newspaper and media as the experts and the one with high knowledge.
- When the market is increasing (bullish), 18% make the decision to buy, 57% make the decision to sell the investment and booking the profit and 25% make the decision of holding to get more profit. Thus the majority of the people try to take advantage of the increasing market to book profit. Whereas when the market is decreasing (bearish) 54% make the decision to buy to take the advantage of buying at low prices, 20% would sell the investments as a part of risk aversion and 26% will hold the investments and when the market is stagnant 8% will make a decision to buy, 11% will make the decision to sell and 81% will hold their investment.
- 62% will choose the option of profit of Rs 250 on the investment of Rs 500 and 38% will choose the option of profit of Rs 1 lac on the investment of Rs 6 lac. So it can be concluded that 38% suffer from innumeracy. Due to innumeracy bias, people face difficulty with numbers and are confused between nominal changes and real changes. People have difficulty in figuring out true probabilities and tend to pay more attention to big numbers and give less importance to small numbers.
- 57% people's decision in equity will change due to change in the bond market and 43% decision will remain un-effected due to changes in other markets. Practically people keep separate mental accounts for their investments and treat every investment separately so changes in one investment should not impact on other but due to mental accounting people do not have the computation skills to evaluate decisions in terms of their impact on overall wealth and they tend to react differently in one investment if changes occur in other investment. A majority of people face mental accounting bias, it holds true.
- 23% tend to react strongly on short term changes in the price in investments and the remaining does not react strongly. Thus it can be said that narrow framing holds true for 23% people. Narrow framing in the temporal sense means that investors pay in due attention to short-term gains and losses, even when their investment horizon is long.
- When investors have bought the shares of ABC Ltd. out of total respondents, 90% people will give more importance to the positive news related to the stock and 10% will react to news rationally. So it can be said that the confirmation bias holds true as the majority of investors tend to focus only on positive news. Due to confirmation bias, people tend to overlook information that is contrary to their views in favor of the information that confirms their views.
- If people were given Rs 1 lac to invest then out of total respondents, 81% of people will choose a certain gain of Rs 50,000 and 19% of people will choose the option of 50% probability of gain of Rs 1 lac and 50% probability of getting nothing.
- If people were given Rs 2 lac to invest then out of total respondents, 38% of people will choose a certain loss of Rs 50,000 and 62% of people will choose the option of 50% probability of loss of Rs 1 lac and 50% probability of losing nothing. The outcome of option 1 in both the questions is Rs 150,000

Rs100,000+Rs 50,000 = Rs 150,000

Rs 200,000-Rs 50,000 = Rs 150,000.

The outcomes of option 2 in both the questions are Rs 200,000 or Rs 100,000 with equal probabilities.

Rs 100,000 + Rs 100,000 or Rs 0 with equal probability.

Rs 200,000 - Rs 0 or -Rs 100,000 with equal probability.

Most of the people presented with such potions have chosen option 1 in question 10 and option 2 in question 11. This shows that they are more conservative when they have an opportunity to lock insure profits but are willing to take more risk if it offers the probability of avoiding losses. According to prospect theory, people feel more strongly about the pain from the loss than the pleasure from an equal gain. That is why they are likely to choose a certain gain in the first question but reject the certain loss even though both produce the same outcome. So the prospect theory holds true.

- 48% keep holding onto investments even if their past performance is not very encouraging and 52% will not hold them. According to anchor theory, after forming an opinion people are often unwilling to change it even though they receive new information that is relevant. So it can be said that 48% face anchoring bias.
- 67% choose an investment familiar to them giving less return and 33% choose an investment unfamiliar to them giving more return. The majority of the people choose the familiarity of the investment over the more return it can be said that familiarity bias holds true because due to familiarity bias people are more comfortable with the things familiar to them

- 46% will invest on the advice of their friend who has earned in the past and 54% will not invest. The people have the natural desire to be the part of the group and feel safer in the group so they tend to do the decisions what majority are making. It is called heard instincts or information cascade. Here 46% people face heard instincts or information cascade.
- 46% have the impact of other investors buying and selling decision and 54% do not have any impact. The people have the natural desire to be the part of the group and feel safer in the group so they tend to do the decisions what majority are making. It is called heard instincts or information cascade. Here 46% people face heard instincts or information cascade.
- 78% people's decisions are impacted with the expert opinion, survey, analyst, forecast in news and media and 22% are not affected. The people have the natural desire to be the part of the group and feel safer in the group so they tend to do the decisions what majority are making. It is called heard instincts or information cascade. Here 78% people face heard instincts or information cascade.
- 61% are ready to invest in the same investment avenue on the basis of their past experience. People take their decisions based on their past experience rather than being rational. It is called the shadow of the past. Here 61% are influenced by past experience so it can be said that the shadow of the past holds true.
- 69% will hold their investment showing loss to recover the loss from the same investment avenue and 31% will not hold for recovering the loss. People keep holding on to investments showing loss to recover the loss which rationally they should not keep it is the effect of trying to reach the breakeven point. Here 69% are affected due to the bias of trying to reach breakeven and consequently it holds true.
- 57% take their investment decision based on their intuition and gut feelings and 43% make decisions rationally. Thus, 57% are affected due to the emotional bias rather than analysing the investment rationally so the theory of emotional bias holds true.

BIVARIATE
- 58% undergraduate, 66% graduate, 63% postgraduate and 62% professionals think that they have sufficient knowledge about investing. The level of education and the overconfidence bias was compared here to check whether there is any relationship between education level and overconfidence. It shows that the graduate people are the people with the highest level of overconfidence bias and it can be said that people who are educated have more overconfidence bias to predict the market compared to people who are less educated.
- 62% female and 54% male rely on their intuition and gut feeling while making investment decision the comparison was made with gender and emotional bias. So it can be said that female rely more on their intuition and gut feeling while making an investment decision. Female gender is more prone to emotional bias as compared to males.
- 95% people of the age 18-25, 85% people of the age 25-35, 93% people of the age 35-45, 85% people of the age 45-55, 100% people of the age 55-65 and 80% people of the age more than 65 give more importance to the positive news related to their investments. Here the relationship between confirmation bias and age was studied and it was concluded that there is no relationship between confirmation bias and age of the investors. Conformation bias can occur to any investor's irrelevance of age.
- 67% of service, 76% of the business, 70% of self-employed, 54% of retired and 64% of homemakers will hold their loss showing investment to recover the losses. Here the relationship between the trying to break even effect and occupation is studied. It can be analysed that business and self-employed people are most affected by trying to break even effect and retired people are least affected by it. Business and self-employed people is the people who take a higher risk than other occupations.
- 75% undergraduate, 77% graduate, 82% postgraduate, 68% professional and 25% Ph.D. are affected by the expert opinion, survey, analyst forecast in news and media. Here the heard bias and level of education is studied and it was concluded that there is no relationship between heard bias and level of education. Heard bias or information cascade can occur irrelevance of level of education.
- 68% people of the age group 18-25, 71% people of the age group 25-35, 63% people of the age group 35-45, 77% people of the age group 45-55, 71% people of the age group 55-65 and 50% of people of the age group more than 65 will hold their loss showing investment to recover the losses. Here the trying to break even effect and age is compared and it is concluded that there is no relationship between them. Trying to break even effect is irrelevant with age.
- 9 out of 22 people of age group 18-25, 20 out of 35 people of age group 25-35, 25 out of 60 people of age group 35-45, 20 out 47 people of age group 45-55, 4 out of 7 people of age group 55-65 disagree with the fact that they tend to react on short term changes in the prices of investments, whereas 5 out of 10 people of age group more than 65 agree with the fact that they tend to react on short term changes in the prices of investments. Here narrow framing and age are studied and it was found out that narrow framing is highest in the age group more than 65.
- 66% undergraduate, 60% graduate, 54% postgraduate, 50% professional and 50% Ph.D. rely more on their intuition and gut feelings when it comes to decision making in investments. Here emotional bias and level of education are compared and it was found out that level of education and emotional bias are inversely related, that means that emotional bias is highest where the education level is lowest and emotional bias is lowest where the education level is highest. With the increase in education level the emotional bias reduces.

HYPOTHESIS TESTING

H0: There is no influence of behavioural finance on investment decisions

H1: There is influence of behavioural finance on investment decisions

TABLE 1

THEORY	LEVEL OF PERCENTAGE
Overconfidence	64%
Innumeracy bias	38%
Mental Accounting	57%
Narrow Framing	23%
Confidence Bias	90%
Prospect Theory	70%
Anchoring Theory	48%
Familiarity with investment	67%
Herd instinct/Information cascade	57%
The shadow of the past	61%
Trying to break even effect	69%
Emotional effect	57%

So from the above table it can be concluded that the theories of behavioural financing holds true.

H1:- is accepted. There is influence of behavioural financing n investment decisions on investors

MEAN AND STANDARD DEVIATION TABLE

TABLE 2

Theory	Question	Mean	Std. Deviation
Overconfidence	Do you think that you have sufficient knowledge about it?	1.3591	.48107
Innumeracy	From the following two options which one will you choose?	1.6298	.49553
Mental Accounting	Suppose you have invested Rs 1 lac in equity, Rs 1 lac in bond and if there is news in bond market then will it affect your buying and selling decision in equity?	1.4309	.49658
Narrow Framing	You tend to react strongly on short term changes in price of investments?	2.7017	1.04320
Conformation bias	Suppose you have bought the shares of ABC Ltd, then will you give more importance to the positive news related with ABC Ltd.	1.1050	.30737
Prospect Theory	You have given Rs. 1 lakh and is asked to choose between two options. Which will you choose?	1.1934	.39604
Prospect Theory	You have given Rs. 2 lakh and are asked to choose between two options. Which will you choose?	1.6243	.48564
Anchoring	Do you prefer to keep holding onto investments even if there past performance is not very encouraging?	1.5193	.50101
Familiarity Bias	From the following two options which would you prefer?	1.3260	.47004
Heard instincts/Conformation bias	Your friend has invested in some investment avenue for short term and have earned 60% return on investment will you invest in same investment alternative by his/her advice?	1.5414	.49966
Heard instincts/Conformation bias	Do other investor's decisions of buying and selling make impact on your investment decisions?	1.5414	.49966
Heard instincts/Conformation bias	Do the expert opinion/ survey/analyst forecasted in news/media have any impact on your buying and selling decisions	1.2155	.41229
The shadow of the past	You have invested in stock of ABC ltd. for some period of time and you have earned good amount of return in past, will you agree to invest in same stock on the basis of your past experience?	3.0387	1.32231
Trying to reach breake-ven point	If your investment is showing loss, will you hold it for recovering the loss?	1.3149	.46577
Emotional Bias	When it comes to decisions related to investments, you rely more on your intuitions and gut feelings/	1.4254	.49578

The mean of the overconfidence question is 1.3 which means more people have chosen yes to answer and the people face overconfidence bias. In rating the attributes from 1 lowest to 5 highest the mean of financial advisor returns past experience, familiarity, goals and research about investment is more than three which means people consider them or give importance to them before investing. The mean of innumeracy is 1.6 which says that people have highly chosen bigger number than the calculative more return due to which the theory of innumeracy holds true. In the question of conformation bias the mean is 1.4 which states that the frequencies are equally distributed and people are more neutral about it. In the question of familiarity, the mean is 1.3 which means that people choose familiarity of investment over more returns. In the question of trying to reach break-even point the mean is 1.3 which tells that people are highly affected by the bias of trying to reach breakeven point. In the question of emotional bias, the mean is 1.4 which tells that people are highly affected by the emotional bias while making an investment decision.

FINDINGS

(1) 50% are investing for more than 5 years, 20% are investing for more than 3 years and 64% are very confident about their ability to outperform and predict the market which shows their overconfidence in predicting the market. (2) 48% are highly influenced by their past experience, 41% by advisor or broker, 67% by return, and 30% by advice from friends and family, 30% by intuition, 55% by familiarity with investment and 67% by their goals when it comes to factors to be considered at the time of investing whereas 57% sell in the increasing market to get the benefit of increasing market and 54% of people buy in decreasing market. (3) 57% people's investment in one avenue is affected by the news in the other investment avenue whereas 23% agree with the fact that they strongly react to short term changes in the prices of investment. While 90% give more importance to the positive news related to their investments which shows confirmation bias. It can be said that prospect theory holds true which says that people feel more strongly about the pain from losses than the pleasure from gains. (4) 48% prefer to keep holding onto stocks even if their past performance is not very encouraging while 67% choose familiarity with investments over returns. (5) 54% investor's decision is affected by the buying and selling decision of other investors. 78% are highly influenced by expert opinion, survey, analysts and forecasts from news and media whereas 69% will hold their loss showing investment to recover the loss while 57% are highly affected by their emotions in the investment making a decision.

RECOMMENDATION/SUGGESTIONS

- We could conduct our project more widely if we had more resources like time and money.
- Field of behavioural finance is so huge than one can do research on it many times if they want to.
- To know the behaviour of investors towards investing might be a difficult task as it varies person to person.

CONCLUSIONS

The objective of this study was to check the relevance of the behavioural finance theories and if the average individual investor participating in the investments market of the Ahmedabad city is always rational or not. The focus was is on the behavioural biases namely: overconfidence, anchoring, familiarity, confirmation bias, innumeracy, prospect theory, mental accounting, narrow framing, shadow of past, emotional bias and information or herd instinct. Effects of the above biases on the decision-making process of the investors of the Ahmedabad city was studied and analysed. Data collection was done through questionnaire and 181 responses were obtained from individual investors. The study found out that investors are not rational and there are always the effects of above biases in more or less proportion on the decision-making process of investors in the investments. Financial decision and behavior of investors are being influenced by personal and social psychology. Investors are influenced by heuristic driven biases, frame dependence, emotional and social influences.

LIMITATIONS

- Due to insufficient time, we were not able to conduct a research study on a large scale.
- The responses may be biased.
- The study was limited to Ahmedabad only.
- The sample may not exactly represent the population.

SCOPE FOR FURTHER RESEARCH

- It is limited to certain theories only. So one can research on various other theories of Behavioural finance.
- It is limited to Ahmedabad city only due to time constraints so we can do research on other cities also.
- Some responses maybe biased.
- In our research we took the sample of only 181 people which could be increased in further research.

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ANNEXURE

1. **Have you invested in any kind of investment avenues?**
   Yes   No

2. **Since how long you are investing?**
   • Less than a year
   • 1-3 years
   • 3-5years
   • More than 5 year

3. **Do you think you have sufficient knowledge about various investment avenues?**
   • Yes
   • No

4. **Rate the following options as per the importance you give to them before investing in a particular investment avenue?** (1-lowest and 5-highest)

Particular	1	2	3	4	5
Past experience					
Financial advisor/broker					
Return					
Advice from friends/family/relatives					
Intuition					
Familiarity with investment					
Your goals					
News/newspaper/media					
Your research about investment avenue					

5. **Suppose you have invested in stock market, then in different situations of investment value how will you take decisions?**

Particulars	BUY	SELL	HOLD
Increasing (bullish)			
Decreasing(bearish)			
Stagnant (no change)			

6. **From the following two options which would you prefer?**
   • Profit of Rs1 lac on investment of Rs 6 lac
   • Profit of Rs 250 on investment of Rs 500

7. **Suppose you have invested Rs 1 lac in equity, Rs 1 lac in bond and if there is news in bond market then will it affect your buying and selling decision in equity?**
   • Yes
   • No

8. **You tend to react strongly on short term changes in price of investment?**
   • Strongly disagree
   • Disagree
   • Neutral
   • Agree
   • Strongly agree

9. **Suppose you have bought the shares of ABC Ltd., then will you give more importance to the positive news related with ABC LTD.?**
   • Yes
   • No

10. **You have given Rs. 1 lakh and asked to choose between two options. Which will you choose?**
    • A certain gain of Rs 50,000
    • 50% probability is you will get Rs 100000 and 50% probability is you will get nothing.

11. **You have given Rs. 2 lakh and are asked to choose between two options. Which will you choose?**
    • A certain loss of Rs 50,000
    • 50% probability is you will lose nothing and 50% probability is you will lose 1,00,000

12. **Do you prefer to keep holding onto investments even if there past performance is not encouraging?**
    • Yes
    • No

13.   **From the following two options which would you prefer?**
- An investment familiar to you giving less return
- An investment unfamiliar to you giving more return

14.   **Your friend has invested in some investment avenue for short term and has earned 60% return on investment will you invest in same investment alternative by his/her advice?**
- Yes
- No

15.   **Do other investor's decisions of buying and selling make impact on your investment decisions?**
- Yes
- No

16.   **Does the expert opinion/survey/analyst forecasted in news/media have any impact on your buying and selling decisions?**
- Yes
- No

17.   **You have invested in stock of ABC ltd. for some period of time and you have earned good amount of return in the past, will you agree to invest in same stock based on your past experience?**
- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

18.   **If your investment is showing loss, will you hold it for recovering the loss?**
- Yes
- No

19.   **When it comes to decisions related to investment, you rely more on your intuition, and gut feelings?**
- Yes
- No

Personal details

20.   **Name**

21.   **Age**
- 18-25
- 25-34
- 35-44
- 45-54
- 55-64
- More than 64

22.   **Gender**
- Female
- Male

23.   **Occupation**
- Service
- Business
- Self-employed
- Retired
- Home maker

24.   **Annual income**
- <250000
- 250000-500000
- 500000-1000000
- >1000000

25.   **Education**
- Below graduate
- Graduate
- Post graduate
- Professional
- Ph.D.
- Others

26.   **Phone No**

27.   **E-mail ID.**

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TAXPAYERS ATTITUDE TOWARDS THE NEW TAX PROCLAMATION IN ETHIOPIA IN CASE OF EMPLOYMENT INCOME TAXPAYERS IN DEBREMARKOS TOWN

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ABSTRACT

The objective of this study is to assess the taxpayers' attitude towards the new tax system as per the new tax proclamation in Ethiopia in relation to tax fairness, tax complexity, and tax efficiency. A survey using self-administered questionnaire has been used to collect the primary data. The survey used 85 respondents among employment income tax payers in Debre Markos town. The collected data are presented using tables and percentages. The study reveals that, the employment tax payers believed that the new tax proclamation is fair in terms of horizontal, vertical and administrative fairness. Finally, the study concludes that the new tax proclamation system is reasonably fair in terms of horizontal, vertical and administrative fairness in the mind of tax payers. But it is complex and economically inefficient from tax payers' point of view. Based on the findings obtained and conclusions drawn the researcher recommended that the tax authority in particular and government in general shall try to empower the tax payers with knowledge and change their attitude through sustainable awareness creation programs.

KEYWORDS
attitude, tax fairness, tax complexity, tax efficiency.

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1. INTRODUCTION

All the powers of the government other than its authority to declare war, none bears so incisively up on the welfare 0f citizens, both privately & in their Economic enterprise, as does its power to tax (Lamonz, 1992) taxation is one of the important element in managing national income, especially in Developed countries and has helped an important role in civilized societies since their birth thousand years ago. Tax is defined as <a compulsory levy, imposed by government or other tax raising body, on income, expenditure, or capital asset, for which the tax payer receives nothing specific in return (Mohd, 2010). An attitude of fairness and trust are important tools for a tax administration in attempting to reduce incompliance. The key to establishing trust is to frame the collection of taxes to the population in a transparent manner and emphasize the perceived fairness of the approach taken. Norms & the motivation to pay taxes are influenced by fairness both in how a person is treated by the administration individually and perceptions of fairness of the tax system in general (whether other people are also paying their fair share). If a tax administration can demonstrate its commitment in these areas, there will be a compliance benefit (reason et.al,2009). Taxation in accordance with appropriately applied standards of ability to pay or benefits received is said to meet the requirements of vertical equity because such taxation exacts different amounts from people in different situations (Parames Waran, 2005).

Tax complexity may be responsible for the misperception of the tax system. In this study tax complexity is understood from two dimensions i.e. excessive detail in the tax rules & numerous computations required. At least a reasonable level of simplicity should be there because, tax payers come from various backgrounds, with differing level of education, income, and most importantly levels of tax knowledge. In helping tax payers to complete the tax returns accurately, the tax authority is responsible to come up with a simple, but sufficient tax return (martin et.al, 2010). Now a days two perspectives are available concerning tax efficiency. The classical perspective considers a tax system as efficient when it does not affect the different patterns of taxpayer's behavior (jones, 2004). Ethiopia as developing country has continuously revising socio economic and civil service polices and proclamation based on the deriving nature of economic development. In this regard the government of Ethiopia has enacted the income tax proclamation number 979/2016 to revise the previous proclamation which was effective since 2002. Hence, the main purpose of this study is to assess the tax payers' attitude towards the new tax system being implemented following the new income tax proclamation.

2. LITERATURE REVIEW

2.1 TAX SYSTEM
Tax is defined as a compulsory levy or contribution made by the public to the government for which nothing directly is received in return or without a quid pro quo (song & Yarbrough, 1978). As stated by Strauss & Hyun (2001), the first goal of a tax system in any democracy government is to finance budgetary programs through spending for public goods such as national defense, infrastructure such as roads and education and providing an income maintenance system which meet the social objectives. Tax payers' attitude towards taxation is crucial in any tax systems success to achieve compliance.

2.2 TAX FAIRNESS
To be considered as a fair tax system, tax payers should have the ability to pay their tax burden. Ability to pay means that underline the literature of taxes, the economic resources of a tax payer should be under his/her control. When a tax system is designed so that individuals with the same ability to pay owe the same amount of tax, it can be described as horizontally equitable, while when it is designed so that individuals with greater ability to pay owe more tax than individuals with lower ability to pay, it is considered vertically equitable (Jones, 2004). Torgler, (2001) mentioned that tax fairness is a very important factor influencing tax payers compliance behavior because it is related to tax burdens for any good tax system tax fairness is crucial. Bordignon (1993) introduced fairness as an additional motivation to tax evasion or non compliance. When there is lack of equity in an exchange relationship it creates a sense of distress, with this anger it leads to a reaction which can restore equity, which is tax evasion or tax non compliance. Fairness is difficult to define because of the four inherent problems: (1) It is multidimensional, (2) It can be defined at the individual level or for the society at large, (3) Fairness is intertwined with complexity and (4) A lack of fairness maybe perceived justification or a cause of non compliance (Christensen et al, 1994).

2.3 TAX EFFICIENCY
Tax systems efficiency is important, especially because the term of efficiency is used in two different perspectives under the context of taxation. The first one describes a tax system as efficient when it does not interfere with or influence tax payers economic behavior. Two perspectives are available now a days concerning tax efficiency. The classical perspective considers a tax system as efficient when it does not affect the different patterns of tax payers' behavior. Based on this perspective, tax is not purposive, so it is imposed and collected just to generate revenue for governments. According to this perspective, a tax that is designed to modify tax payers' behavior is considered in efficient because it distorts the market. The classical economist, Adam smith, believed that a tax system should have as little as possible influence on tax payers (Jones, 2004). The way tax payers believe a tax system is an important issue, because it determines the level of tax payers' compliance, and their level of cooperation. Moreover, a tax system determines people's loyalty to their government (Ibrahim et.al, 2009).

2.4 TAX COMPLEXITY

The complexity of a decision problem can be characterized by the variety of influencing factors and by the extent of their dependence. Tax complexity may be responsible for the misperception. Congdon et.al, 2009 claim that, individual will respond not to the tax rate as it is set but as they construe it. Conceivably, more complex a tax system is the large may be this difference between the legal tax and constructed tax. As a result, this bias can affect real decision problem. However, additional information reduces complexity and receipts adjust their behavior (Fochmann et.al, 2010). There is almost certainly likely to be universal agreement among tax academics and practitioners that tax complexity is itself a complex concept. It is widely regarded as multi-facetted concept that cannot be simultaneously and adequately characterized by a single definition or measure. An implication of the multi dimensionality of tax complexity is that it is basically comparative concept. Although the concept of tax complexity is widely used and much discussed, with the compliant always being made that tax system is too complex no one ever complains that the system is not complex enough the concept turns out to be a bit more elusive when one tries to pin it down. Certainly it is a concept that do not figure in standard economic analysis of tax system, and has not been given any very precise definition. We think much of the popular discussion of tax complexity uses the term complexity as a catch – all term that might encompass a number of different features such as lack of transparency rather than complexity (ulph, 2013).

3. SIGNIFICANCE OF THE STUDY

This study is believed to be an input in improving the attitude of tax payers towards the new tax proclamation. Since the aim of this study is to investigate the tax payers' attitude, it gives some insights into how the tax authority creates awareness among the society to improve the tax payers' attitude. This study will assist the tax administration to identify aspects or areas where taxpayers experience challenges. Finally, this study believed to be relevant for further and future researchers.

4. STATEMENT OF THE PROBLEM

As in all other countries, one of the purpose of taxation in Ethiopia is rising of as much revenue as possible to meet the ever –expanding expenditure for the supply of goods and services which are not available to the general public by the market (yohannes&sisay,2009). It is clear that in order to be good, the tax should be fair. To be a fair tax, taxpayers should have the ability to pay and the tax itself should be characterized by its horizontal and vertical equitability. This means that when any tax system is unfair, that system as a whole will be considered by tax payers as bad tax system, and taxpayers will have negative attitude to that tax system (jones, 2007).

The absence of clear- cut objectives, programs, rules and regulations which have direct impact with the tax payers' knowledge and awareness intern brought about complex tax system (wubshet, 2010). Most tax payers think that the tax system itself is too complex, difficult to understand and the terminology used is unfamiliar to taxpayers (mohd, 2010). The tax system is described as efficient when it does not interfere with or influence taxpayers' economic behavior (jones, 2004). So a study on tax payers' attitude towards the tax system is important b/c it has a serious influence on tax compliance.

There are a number of studies conducted on tax payers' attitude towards tax system. For instance, abdulhadi et.al, (2008), Amitai Etzioni (1986), and Roberts &Hite (1994) were conducted their study on tax payers' attitude. However, all these researchers investigate tax payers' attitude for their respective countries. As per the researcher's knowledge, no study is conducted to examine tax payers' attitude towards the new tax proclamation in relation to tax fairness, tax efficiency and tax complexity in Ethiopia. Hence, this study attempted to examine the tax payers' attitude towards the new tax proclamation in relation to tax fairness, tax complexity and tax efficiency in Ethiopia with a particular emphasis of Employment income tax payers in Debre Markos Town.

5. OBJECTIVES OF THE STUDY

The general objective of this study is to assess the tax payers' attitude towards the new tax proclamation in Ethiopia in case of employment income tax payers in Debre markos Town. To achieve this following specific objectives are dissected:
1. To examine taxpayers' attitude towards the tax fairness.
2. To evaluate whether the new tax proclamation is complex from taxpayers' point of view.
3. To examine whether the new tax proclamation is efficient from taxpayers' point of view.

6. RESEARCH HYPOTHESES

The hypothesis's to be tested is the following:
H_0: tax payers' believe that the tax system is not fair.

7. METHODOLOGY OF THE STUDY

7.1 RESEARCH DESIGN

Researches can be done through different types of researches' design such as explanatory, exploratory, descriptive and casual. Hence, since the main objective of this paper is to assess the attitude of tax payers towards fairness descriptive research design is used and results are discussed using qualitative research approach.

7.2 DATA AND DATA SOURCE

In this study the researcher was used primary data. Data were collected through a five degree likert scale self administered questionnaires.

7.3 TARGET POPULATION

The target population for the survey study is employment income taxpayers who are subject for employment tax. Government and nongovernment employees in Debre markos Town were used as participants in the survey study. Total employment taxpayers in Debre markos Town are 2775 as per the information obtained from Debre markos Town Public service and Human resource office.

7.4 SAMPLING TECHNIQUE

In deciding the desired sample size, it is customary to consider the availability of time, resources and the aim of the research. In this regard, taking the available resources, time and budget in to account, a sample size of 96 is found to be feasible from 2775 employment tax payers found in Debre markos Town. In order to determine the sample size yemane, (1967) sample size determination formula is used with 90% of confidence level and 10% level of significance. After determining the sample size respondents were selected using simple random sampling technique.

$n=N/1+N(e)^2$

Where; "n" is the sample size, "e" level of significance and "N" is target population.

7.5 METHOD OF DATA ANALYSIS AND PRESENTATION

After administering and scoring research tools, scripts, data was collected and organized. In this study the collected data were analyzed using descriptive statistical analysis techniques. Descriptive analysis showed how the taxpayers perceive the new tax proclamation to tax fairness, tax complexity and tax efficiency. In this analysis basic features of the survey data are presented by using tables and percentages.

8. RESULTS AND DISCUSSION

This chapter deals with the presentation of data analysis, findings and interpretation. The purpose of this study was to assess taxpayers' attitude towards the new tax proclamation and it is mainly focus on tax payers' attitude towards tax fairness, tax complexity and tax efficiency.

8.1 TAXPAYERS ATTITUDE TOWARDS HORIZONTAL FAIRNESS

The respondents were asked whether they believe that it is fair for individuals with similar amounts of employment income to pay similar amount of employment income tax or not. The tax payers' survey outcome revealed that out of the 85 respondents 60 percent of them agreed that it is fair for individuals with similar

amount of employments income to pay similar amount of employment income tax. This implies that majority of tax payers believed that, it is fair for individuals with similar amount of employments income to pay similar amount of employment income tax. From this the researcher can conclude that it is fair for them to pay similar share of employment income tax compared with other similar employment income earners.

8.2 TAXPAYERS ATTITUDE TOWARDS VERTICAL FAIRNESS

To investigate the tax payers' attitude towards vertical fairness, respondents were asked whether they believe that it is fair that high employment income earners are subject to tax at progressively higher tax rates than low employment income earners or not. As a result, out of 85 respondents 69.4 percent of them agreed that, they believe it is fair if high income earners are subject to tax at progressively higher tax rates than low income. The majority of tax payers believed that it is fair if high income earners are subject to tax at progressively higher tax rates than low income earners. Respondents were asked whether they believe that it is fair if low income earners are taxed at a lower rate than middle income earners or not. As a result, 65.88 percent of the respondents were agreed that it is fair if low income earners are taxed at a lower rate than middle income earners. Hence, majority of the tax payers believed that, it is fair if low income earners are taxed at a lower rate than middle income earners. Furthermore, the survey indicated that majority of tax payers believe the new tax proclamation as fair in terms of vertical fairness.

8.3 TAXPAYERS ATTITUDE TOWARDS ADMINISTRATIVE FAIRNESS

In respect of knowing respondent's attitude about administrative fairness, the outcome of the employment income tax payers survey revealed that majority of tax payers believed that, the government is utilizing reasonable amount of tax revenue to achieve social goals. Regarding to tax payers' attitude towards tax administration, the survey outcome revealed that the majority of tax payers believed that, the administration of the tax system by tax authority is not consistence across tax payers. With regard to tax payers' attitude about the government expenditure, the survey result indicated that the majority of tax payers believed that the government does not spend too much tax revenue on unnecessary welfare assistance. Thus, the majority of tax payers believed that, the tax system is fair in terms of administrative fairness.

8.4 TAXPAYERS ATTITUDE TOWARDS TAX COMPLEXITY

Respondents were asked to measure the tax payer's attitude towards tax complexity and more than 50.58% of them were agreed that the rules related to employment income tax are clear and understandable. Therefore, based on the survey the majority of the tax payers believed that, the rules related to employment income tax are clear and understandable. With regard to procedural complication, the outcome of the survey revealed that, the majority of tax payers believed that, the tax system is tedious in procedural complications for tax purposes. The respondents are also asked whether the tax system is complicated or not. In respect of knowing their attitude the outcome of the tax payers survey indicated that, a higher percentage of tax payers believe that, the Ethiopian tax system is too complicated.

8.5 TAXPAYERS ATTITUDE TOWARDS TAX EFFICIENCY

The respondents were asked whether they believe that, the Ethiopian tax system encourage tax payers for investment or not. The survey result indicated more than 75% of respondents believe that, the new tax proclamation does not encourage tax payers for investment. The respondents are also asked for whether they think that, the government of Ethiopia increases the tax rate under the condition of inflation. The outcome of survey revealed that, the highest percentage of taxpayers believed that, the government of Ethiopia does not increase the tax rate under the condition of inflation. In respect of knowing tax payers attitude towards encouragement made by the new tax proclamation for tax payers, the survey outcome indicates about 55.28 percent of respondents believed that, the current Ethiopian tax system does not encourage tax payers. Hence, it can be concluded that the Ethiopian new tax proclamation is economically inefficient Respondents were also asked whether they believe that, the new tax proclamation increases the saving and consumption habit of employees or not. In this regard, 60 percent of the respondents replayed that the tax system does not encourage taxpayers to save. This implies that, the new tax proclamation does not encourage taxpayers for saving.

9. RECOMMENDATIONS

Based on the findings of the study the following recommendations are forwarded.

➢ To change the attitude of tax payers the tax authority shall empower them with knowledge and training through sustainable awareness creation programs.

➢ There should be more preventive education for the public and increased awareness of tax responsibilities in schools.

➢ The tax authority shall try to make the tax law and procedures simple, understandable and transparent to tax payers; because, it is worthless to be actually efficient, fair and simple unless the tax system is efficient, fair and simple in the minds of tax payers.

➢ The tax authority should support tax payers by increasing the exempted amount of income in order to promote saving.

10. CONCLUSION

The survey result revealed that Tax payers believe the new tax proclamation as reasonably fair in terms of vertical, horizontal and administrative fairness. On the other hand, these tax payers believe that the new tax proclamation is complex and economically in efficient. However, it does not mean that the new tax proclamation is fair, complex and economically in efficient at all, rather it is to mean that the new tax proclamation is fair but complex and in efficient in mind of tax payers. They also believed that the new tax proclamation is economically in efficient. Because, the new tax proclamation does not encourage tax payers for investment.

In relation to saving habit the tax payers believed that, the new tax proclamation does not encourage the saving habit. This means that in comparison to standard of living the reduction of tax rate does not encourage saving.

11. SCOPE OF THE STUDY

This study attempted to investigate the tax payers' attitude towards the new tax proclamation. To make the study manageable and to evaluate the problem in detail, the researcher was only confined to the examination of "Employment income tax payers' attitude towards the new tax proclamation in Debre Markos Town, Ethiopia.

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APPENDICES
TABLES

TABLE 1: RESPONSE OF RESPONDENTS ON FAIRNESS, EFFICIENCY, AND COMPLEXITY OF THE TAX SYSTEM *(n=85)*

Number	Horizontal fairness	Measures	Frequency	Percentage
1	It is fair for individuals with similar amount of employment income to pay similar amount of tax	Strongly agree	21	24.7
		Agree	30	35.3
		Neutral	17	20
		Disagree	17	20
		Strongly dis agree	0	0
		Total	85	100
2	I believe that it is fair for me to pay similar share of employment income tax compared with other similar employment income earner	St. agree	13	15.3
		Agree	30	35.3
		Neutral	17	20
		Disagree	21	24.7
		Strongly disagree	4	4.7
		Total	85	100
No	**Vertical fairness**	**Measures**	**Frequency**	**Percentage**
1	It is fair that high employment income earners are subject to tax at progressively higher tax rates than low employment income earners.	Strongly agree	21	24.7
		Agree	38	44.7
		Neutral	0	0
		Disagree	26	30.58
		Strongly disagree	0	0
		Total	85	100
2	It is fair that low employment income earners are taxed at lower rate than middle employment income earners.	Strongly agree	26	30.58
		Agree	30	35.3
		Neutral	8	9.4
		Disagree	21	24.7
		Strongly disagree	0	0
		Total	85	100
No	**Administrative fairness**	**Measures**	**Frequency**	**Percentage**
1	I believe that the gov't collects a reasonable amount of tax to achieve social goals	Strongly agree	17	20
		Agree	26	30.58
		Neutral	0	0
		Disagree	34	40
		Strongly disagree	8	9.4
		Total	85	100
2	The administration of tax system is consistence across tax payers	Strongly agree	0	0
		Agree	26	30.58
		Neutral	4	4.7
		Disagree	34	40
		Strongly disagree	21	24.7
		Total	85	100
3	I think the government spends too much tax revenue on unnecessary welfare assistance	Strongly agree	8	9.4
		Agree	13	15.3
		Neutral	34	40
		Disagree	17	20
		Strongly disagree	13	15.3
		Total	85	100
No	**Tax efficiency**	**Measures**	**Frequency**	**Percentage**
1	I believe that the Ethiopian tax system encourage tax payers in investment	Strongly agree	0	0
		Agree	8	9.4
		Neutral	13	15.3
		Disagree	47	55.3
		Strongly disagree	17	20
		Total	85	100
2	I think that the government of Ethiopia increases the tax rate under the condition of inflation	Strongly agree	4	4.7
		Agree	30	35.3
		Neutral	17	20
		Disagree	26	30.58
		Strongly disagree	8	9.4
		Total	85	100

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3	I see that, current Ethiopian tax proclamation encourage tax payers	Strongly agree	0	0
		Agree	17	20
		Neutral	21	24.7
		Disagree	38	44.7
		Strongly disagree	9	10.58
		Total	85	100
No	**Tax complexity**	**Measures**	**Frequency**	**Percentage**
1	The rules related to employment income tax are clear and understandable	Strongly agree	17	20
		Agree	26	30.58
		Neutral	8	9.4
		Disagree	21	24.7
		Strongly disagree	13	15.3
		Total	85	100
2	I find tedious in procedural complications for tax purpose	Strongly agree	0	0
		Agree	34	40
		Neutral	26	30.58
		Disagree	13	15.3
		Strongly disagree	12	14.11
		Total	85	100
3	Ethiopian employment income tax is too much complicated	Strongly agree	4	4.7
		Agree	34	40
		Neutral	21	24.7
		Disagree	17	20
		Strongly disagree	9	10.58
		Total	85	100
4	The Ethiopian employment income tax rules are bulky and hard for tax payers	Strongly agree	13	15.3
		Agree	3	35.3
		Neutral	4	4.7
		Disagree	26	30.58
		Strongly disagree	12	14.11
		Total	85	100
no	**Statement**	**Measure**	**Frequency**	**Percentage**
1	The new tax proclamation increases the saving and consumption habit of employees	Yes	34	40%
		No	51	60%
2	The new tax proclamation Is fair compared to the former tax system	Yes	30	35.3%
		No	55	64.7%

Source: survey result 2018

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