

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

I
J
R
C
M



A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.

Open J-Gate, India [link of the same is duly available at Inlibnet of University Grants Commission (U.G.C.)],

Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than 3330 Cities in 172 countries/territories are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

<http://ijrcm.org.in/>

CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	ENCOMPASSING KANO'S MODEL TO AUGMENT CUSTOMER EXPERIENCE FOR THE INDIAN DTH INDUSTRY <i>DR. SUJATA JOSHI, DR. SANJAY BHATIA, ARNAB MAJUMDAR & ARCHIT MALHOTRA</i>	1
2.	WOMEN AND CHILD TRAFFICKING <i>ARJUMAND BANO & DR. SANJAY BAIJAL</i>	7
3.	OBSTACLES IN GROWTH OF ENTREPRENEURSHIP <i>MOHAN BHAGWAT BHOSALE & DR. SARANG SHANKAR BHOLA</i>	12
4.	A STUDY OF CONSUMERS' ATTITUDES AND PURCHASE INTENTIONS TOWARDS ENVIRONMENTAL: FRIENDLY PRODUCTS IN FMCG SECTOR IN INDIA <i>DR. NAMITA RAJPUT, RUCHIKA KAURA & AKANKSHA KHANNA</i>	14
5.	INDIAN COMMODITY DERIVATIVE MARKET: A STUDY OF PRICE TRENDS IN THE INTERNATIONAL MARKET <i>GIRISHA H.J, VISHWANATH C.R & MARIGOWDA K.T</i>	20
6.	A STUDY ON INFORMATION TECHNOLOGY IN THE CURRENT BUSINESS FRAMEWORK <i>PRADEEP KUMAR, RUCHI SHARMA & SUNITA PRAJAPATI</i>	22
7.	A STUDY ON THE DEVELOPMENT OF ONLINE MICRO-LENDING COMMUNITY IN NORTH BENGAL <i>DIPANJAN MOITRA & SANMOY MALLICK</i>	26
8.	TRANSACTIONAL ANALYSIS: THEORY OF PERSONALITY AND INTER PERSONAL BEHAVIOUR <i>VAJINDER PAL SINGH & AMIT KUMAR JAIN</i>	32
9.	SOCIO-ECONOMIC BACKGROUND OF MANAGEMENT STUDENTS OF PUBLIC AND PRIVATE INSTITUTIONS IN DELHI <i>VIJETA BANWARI</i>	37
10.	TAX STRUCTURE IN INDIA AND EFFECT ON CORPORATES & INDIVIDUAL CUSTOMERS <i>ABHISHEK JHA</i>	43
11.	MERGERS AND ACQUISITIONS IN INDIAN PHARMACEUTICAL INDUSTRY: A CASE STUDY ON MATRIX LAB <i>DR. SURESH CHANDRA DAS, POOJA PATTANAYAK & BHAGYASHREE PATNAIK</i>	46
12.	IMPACT OF ACHIEVEMENT MOTIVATION UPON ACADEMIC ACHIEVEMENT AND SOCIO-ECONOMIC STATUS <i>DR. SAIMA SIDDIQI</i>	50
13.	EXPLORATORY ANALYSIS ON THE TRENDS AND ISSUES RELATED TO STANDARDIZING FINANCIAL REPORTING IN ETHIOPIAN BANKING SECTOR <i>MATEWOS KEBEDE & ABIY GETAHUN</i>	53
14.	CHANGING CUSTOMER BEHAVIOR-TIME TO RETHINK BY THE INSURANCE PROVIDERS <i>PURTI BATRA</i>	57
15.	EXAMINING EMPLOYEES PERFORMANCE APPRAISAL ISSUES AND CHALLENGES IN BANKS OF PAKISTAN: COMPARATIVE STUDY OF PRIVATE AND PUBLIC BANKS OF PUNJAB PAKISTAN <i>SYEDA NUDRAT SAMEEN, SHAHID NAWAZ, MUHAMMED NAWAZ & MUHAMMAD IRFAN SHAKOOR</i>	60
	REQUEST FOR FEEDBACK & DISCLAIMER	72

CHIEF PATRON

PROF. K. K. AGGARWAL

Chairman, Malaviya National Institute of Technology, Jaipur
(An institute of National Importance & fully funded by Ministry of Human Resource Development, Government of India)
Chancellor, K. R. Mangalam University, Gurgaon
Chancellor, Lingaya's University, Faridabad
Founder Vice-Chancellor (1998-2008), Guru Gobind Singh Indraprastha University, Delhi
Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

FOUNDER PATRON

LATE SH. RAM BHAJAN AGGARWAL

Former State Minister for Home & Tourism, Government of Haryana
Former Vice-President, Dadri Education Society, Charkhi Dadri
Former President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

CO-ORDINATOR

AMITA

Faculty, Government M. S., Mohali

ADVISORS

DR. PRIYA RANJAN TRIVEDI

Chancellor, The Global Open University, Nagaland

PROF. M. S. SENAM RAJU

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

PROF. M. N. SHARMA

Chairman, M.B.A., Haryana College of Technology & Management, Kaithal

PROF. S. L. MAHANDRU

Principal (Retd.), Maharaja Agrasen College, Jagadhri

EDITOR

PROF. R. K. SHARMA

Professor, Bharti Vidyapeeth University Institute of Management & Research, New Delhi

CO-EDITOR

DR. BHAVET

Faculty, Shree Ram Institute of Business & Management, Urjani

EDITORIAL ADVISORY BOARD

DR. RAJESH MODI

Faculty, Yanbu Industrial College, Kingdom of Saudi Arabia

PROF. SANJIV MITTAL

University School of Management Studies, Guru Gobind Singh I. P. University, Delhi

PROF. ANIL K. SAINI

Chairperson (CRC), Guru Gobind Singh I. P. University, Delhi

DR. SAMBHAVNA

Faculty, I.I.T.M., Delhi

DR. MOHENDER KUMAR GUPTA

Associate Professor, P. J. L. N. Government College, Faridabad

DR. SHIVAKUMAR DEENE

Asst. Professor, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga

ASSOCIATE EDITORS

PROF. NAWAB ALI KHAN

Department of Commerce, Aligarh Muslim University, Aligarh, U.P.

PROF. ABHAY BANSAL

Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida

PROF. A. SURYANARAYANA

Department of Business Management, Osmania University, Hyderabad

DR. SAMBHAV GARG

Faculty, Shree Ram Institute of Business & Management, Urjani

PROF. V. SELVAM

SSL, VIT University, Vellore

DR. PARDEEP AHLAWAT

Associate Professor, Institute of Management Studies & Research, Maharshi Dayanand University, Rohtak

DR. S. TABASSUM SULTANA

Associate Professor, Department of Business Management, Matrusri Institute of P.G. Studies, Hyderabad

SURJEET SINGH

Asst. Professor, Department of Computer Science, G. M. N. (P.G.) College, Ambala Cantt.

TECHNICAL ADVISOR

AMITA

Faculty, Government M. S., Mohali

FINANCIAL ADVISORS

DICKIN GOYAL

Advocate & Tax Adviser, Panchkula

NEENA

Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS

JITENDER S. CHAHAL

Advocate, Punjab & Haryana High Court, Chandigarh U.T.

CHANDER BHUSHAN SHARMA

Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

SUPERINTENDENT

SURENDER KUMAR POONIA

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography; Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript anytime** in ***M.S. Word format*** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website ([FOR ONLINE SUBMISSION, CLICK HERE](#)).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____

THE EDITOR
IJRCM

Subject: SUBMISSION OF MANUSCRIPT IN THE AREA OF.

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled ' _____ ' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:

Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:

- a) The whole manuscript is required to be in **ONE MS WORD FILE** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
- b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
- c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
- d) The total size of the file containing the manuscript is required to be below **500 KB**.
- e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
- f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE:** The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS:** The author (s) **full name, designation, affiliation (s), address, mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.
6. **MANUSCRIPT:** Manuscript must be in **BRITISH ENGLISH** prepared on a standard A4 size **PORTRAIT SETTING PAPER**. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.
7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT:** The main text should follow the following sequence:

INTRODUCTION**REVIEW OF LITERATURE****NEED/IMPORTANCE OF THE STUDY****STATEMENT OF THE PROBLEM****OBJECTIVES****HYPOTHESES****RESEARCH METHODOLOGY****RESULTS & DISCUSSION****FINDINGS****RECOMMENDATIONS/SUGGESTIONS****CONCLUSIONS****SCOPE FOR FURTHER RESEARCH****ACKNOWLEDGMENTS****REFERENCES****APPENDIX/ANNEXURE**

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed **5000 WORDS**.

10. **FIGURES & TABLES:** These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure. Sources of data should be mentioned below the table/figure.** It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES:** The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:
 - All works cited in the text (including sources for tables and figures) should be listed alphabetically.
 - Use (ed.) for one editor, and (ed.s) for multiple editors.
 - When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
 - Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
 - The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
 - For titles in a language other than English, provide an English translation in parentheses.
 - The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:**BOOKS**

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19-22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 <http://epw.in/user/viewabstract.jsp>

EXPLORATORY ANALYSIS ON THE TRENDS AND ISSUES RELATED TO STANDARDIZING FINANCIAL REPORTING IN ETHIOPIAN BANKING SECTOR

MATEWOS KEBEDE
RESEARCH SCHOLAR
DEPARTMENT OF COMMERCE
PUNJABI UNIVERSITY
PATIALA

ABIY GETAHUN
LECTURER
DEPARTMENT OF ACCOUNTING & FINANCE
JIMMA UNIVERSITY
ETHIOPIA

ABSTRACT

The objective of the study was to explore in to the trends and issues of International Financial Reporting Standard (IFRS) adoption in Ethiopian banking sector. The banking sector is the early adopter of IFRS in Ethiopia. Since 2008 all banks are supposed to follow IFRS. This study conducted using 37 sample audited annual reports of 11 banks and review of related literatures. The result showed that the process of IFRS adoption in Ethiopian banking sector has been sluggish. There are still some private banks who are reporting with reference to GAAP, stated on the commercial code of Ethiopia 1960. The study also found that the problems of IFRS adoption in Ethiopia include: lack of qualified manpower, high cost of conversion, poor law enforcement mechanism among the major ones. The role of NBE on financial reporting quality is, hence, limited for the fact both banks and auditors are found against the standards. It is, therefore, suggested to enhance law enforcement mechanism, revisiting accounting educational and training system in order to streamline the process of standardizing financial reporting practice in the banking and other sector in Ethiopia. Further and comprehensive studies are also worth considering.

KEYWORDS

Banks, Ethiopia, Financial Reporting, IFRS.

1. INTRODUCTION

Financial reporting is the process of communicating financial accounting information about a company to external users. According to Norlia & et. al. (2001) who quoted (FASB, 1999) *"The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making."*

The basic objective of financial reporting involves that accounting and reporting is essential infrastructures for private sector development and economic growth for the fact that various economic decisions such as operation of the financial system and capital market highly relies on the quality of financial reports. Quality financial information, therefore, is an important infrastructure to facilitate finance and investment decision and contributes to efficient allocation of scarce resources.

The application of uniform accounting standard enhances the quality of financial reporting. In most countries the financial reporting is guided by either locally developed generally accepted accounting standards (LGAAPs) or adopted international financial reporting standards (IFRS).

The importance of uniform professional standards and/or financial reporting regulation are paramount to enhance the quality of accounting information for the fact it makes comparison across companies and overtime feasible. Nevertheless, Ethiopia and most developing countries are less benefited from accounting and reporting system because either they don't have local standards or they are in the early stage of IFRS adoption (Mengesha, 2006; ROSC, 2007; Gizaw, 2011; Fanthun, 2012).

The ROSC (2007) clearly pointed out the need for improving financial reporting framework in Ethiopia through the adoption of internationally accepted financial reporting standards.

As Ethiopia has does not have local accounting and reporting standard adoption of IFRS could be a viable option to enhance the local accounting and reporting framework and to integrate it with the international practice. The benefit of adopting financial report has been explained by both academics and practicing accountants since many countries has been following it. In the context of African countries, succinctly presented by Zori as follows:

"First, the merits of IFRS often mentioned include, improved comparability and uniformity of financial statements among companies and countries, resulting in a decrease in the equity cost of capital, improved transparency, a decline in information processing cost and a reduction in risk of international investment decisions amongst others. Whilst these benefits look very desirable, it is also the case that these benefits cannot be reached in every economy." (Solomon, 2012) However the benefits of adopting IFRS to African countries have been shown in various studies (Demaki, 2013), the process of converting the old system in the form of adoption/adaption/ convergence remains challenging. Among the problems the cost of adoption, lack of skilled man power, weak legal and institutional capability, weak corporate ethical value mentioned in different African countries.(see: UNCTAD, 2008; Madawaki, 2012; Terzungwe, 2012; Owolabi & O.Lyoha, 2012)

Though the number of studies on the benefits, prospects and challenges of following international financial reporting standards in African and other developing countries have been surging, very few addressed the context of Ethiopia. This exploratory study therefore aimed at assessing the trends of IFRS adoption and related challenges in Ethiopia by taking the banking sector as a case study.

The banking sector merits being a case study because the national bank of Ethiopia required banks and other financial institutions to early adopt IFRS in 2008 though other public interest companies are asked latter on 2011. Moreover, banks in Ethiopia are among the largest and growing public interest companies. For this reason banks are subject to rigor regulation which includes sound accounting and reporting requirement by the National Bank of Ethiopia (NBE)

As a highly regulated sector, accounting and reporting in the banking sector is supposed to show a better trend of converting existing accounting system to IFRS for the fact that Literature pointed out that sector specific regulatory agencies contribute to the accounting quality (Michael & et.al, 2008), but no empirical evidence to date in the context of Ethiopia showed the role of sector specific regulatory agency. Hence in addition to a mere analysis of trends and issues in IFRS adoption, the paper presented some evidence on the role NBE in standardizing financial reporting practice.

1.1. OVERVIEW OF ACCOUNTING AND REPORTING PRACTICE IN ETHIOPIA

Modern Accounting in Ethiopia was started in early 1990s. The accounting and reporting practice as explained Johanson Kinfu(1991) and Miherat(20012) passed through three different regimes with different political and economic ideology. The first one refers to the imperial era, which was a kind of market lead economy. This period is marked as the heyday of accounting for the fact that the emergence of multinational companies were followed by the International

public accounting firms like Price Water and Cooper. More over more than 50 local firms were in operation and professional association (Association of Ethiopian Accountants) were established and operated until 1974.

The second phase refers to military era of 1974-1991 which followed the Marxist political and economic philosophy that nationalized all private firms and geared the development of accounting profession towards the service of state owned enterprises. The development of financial accounting system of the private sector had been sluggish in this period though the period was marked to its contribution of installing strong internal audit and control culture. (Miherat, 20012)

The third phase is the current era which started after the 1991 liberalization of the Ethiopian economy. Though this phase has been showing a tremendous improvement in the development of accounting, but still the country has no legally adopted financial reporting standard.

According to Solomon (2012) the IFRS adoption process in the country is not completed and the accounting and reporting practice is governed by some accounting standards cited on the commercial code of Ethiopia 1960 and the income and other tax related proclamations. As these accounting standards referred GAAP without mentioning source of the standard, the financial reports are prepared using different standards. Some use GAAP and others IFRS/IAS. This creates a problem of comparing performance of companies and using financial statements for economic decisions.

1.2. SIGNIFICANCE OF THE STUDY

Accounting and reporting infrastructure support the growth of an economy in many respects, but in the context of Ethiopia, the comprehensive survey on accounting and reporting standards of the corporate sector stressed on the importance of adopting international accounting standard for the fact the country were without either local or adopted international financial reporting frame work(ROSC, 2007). Though IFRS adoption in Ethiopia was mandated in 2011 and even early adoption for banks in 2008, Solomon (2011) pointed out that financial reporting in the country still remained without uniform application of standards. This situation limits the relevance of financial statements to users due to lack of comparison among companies. Hence it deemed essential to explore into the trends of IFRS adoption and related issues so as to support the process by identifying issues demanding further research and/or the attention of policy makers.

The banking sector in Ethiopia is among the highly regulated sector. In addition to commercial code of Ethiopia and other financial reporting regulation applicable to all companies, the accounting and reporting practice of the banking sector is subject to directives of National Bank of Ethiopia (NBE). The national bank demanded application of IFRS for banks and other financial institutions since 2008(Solomon, 2011, Fanthun, 2012). This early adoption of IFRS in the banking sector is in line with an argument that, sector specific regulatory agencies strengthen financial reporting quality (Michael & et.al, 2008). This study, therefore, analyzed the trends of IFRS adoption in Ethiopian banking sector and assessed the role of sector specific regulatory agencies and issues for further considerations.

The banking sector merits being subject of study, because of the following reasons: First the sector becomes the growing and one of the largest public interest companies in Ethiopia. Following proclamation no 86/1994 the number of banks increased from 3 to 18 in 2013(NBE, 2012). Taking into account their contribution to Ethiopian economy protecting the sector from any potential failure is paramount importance. In this regard a well-designed financial reporting infrastructure plays a vital role. Thus this study could contribute by showing the factors affecting IFRS adoption and what role NBE played in the process.

1.3. OBJECTIVES OF THE STUDY

The general objective of this study is to explore in to the trends and issues related to standardizing financial reporting through IFRS adoption in Ethiopian Banking sector.

The specific objectives of the study include the following:

- To understand the benefits of adopting IFRS through a review of related literatures
- To understand the challenges of adopting IFRS in developing countries and identify lesson to Ethiopia
- To examine the trends of IFRS adoption in Ethiopian banking sector in the year 2008-2012
- To develop ideas for further and comprehensive studies

1.4. SCOPE AND LIMITATION

The current study is an exploratory study which aimed at creating understanding and insight about the IFRS adoption process, benefits, challenges and issues for further study. The study was conducted using a review of related literature showing country experiences and analysis of limited secondary data from the Ethiopian banking sector. The data were delimited to the banking sector for the fact that the sector is an early adopter of IFRS in Ethiopia, on one hand, and difficulty of obtaining annual reports and practices of companies in other sector for temporal and pecuniary reasons. Moreover the IFRS adoption in other sector is started only in 2011 and possibility of obtaining relevant information from other sector could also be limited.

2. LITERATURE REVIEW

International Financial Reporting Standards (IFRS) is a set of accounting regulations, is becoming the global accounting standard for the preparation of public-company financial statements (Annette, 2012). The number of countries adopting IFRS has been growing even in least developing countries in Africa is in the process of adopting and adapting IFRS (Deloitte, 2009 Cited on Terzungwe, 2012). Application of uniform accounting and reporting standard at a national and international level could enhance the quality of financial reports for the fact this principle based rules are less subject to management desecration.

Researchers in African countries that already adopted IFRS showed the various benefits and challenges of IFRS adoption. In this respect Akpan-Essien (2011) cited Demaki (2013) the Nigerian financial reporting system improved its transparency, accountability and integrity and contributed for increasing flow of foreign Direct Investment.

According to Demaki (2013) the result of Akpan-Essien(2011) signifies that financial reporting infrastructure is among the prerequisite that foreign investors are interested in the host country for the fact international investor could easily compare investment portfolios in different countries as well as it creates an opportunity to consolidating financial reports of subsidiaries.

Similarly, Madawaki(2012) through a literature review and archival study which aimed at assessing the benefits and challenges of IFRs in Africa by taking Nigerian as a case , showed that "[...] attracting foreign direct investment, reduction of the cost of doing business, and cross border listing" include in the list of benefits enjoyed by Nigeria.

In the same vein Terzungwe(2012) studied the benefits and challenges of IFRS in Nigeria by considering respondents from the banking sector, that early adopts IFRS, and judgmentally selected knowledgeable individuals with IFRS. For the purpose a questionnaire and interview were used as data collection instruments. The descriptive analysis followed in the study revealed that Nigerians agreed on the need for to follow IFRS despite they view problems in using the new system which may include lack of qualified manpower and cost of conversion.

In support of the other finding Owolabi & O.Lyoha (2012) presented results of their study that covers different countries in the African who already adopted or are in the process of adopting IFRS. The purpose of their study was to garner the perception of financial statement users and prepares as to the benefits and challenges of IFRS. For the purpose they administered an online survey via a twitter social networking website. The result of their data analysis confirmed the previous studies for the fact that both users and preparers from different country believes in future benefit, but the challenges in using the new system

UNCTAD (2008) also presented the experience of Kenya who adopted IFRS in 1998 second to no African countries. This document also revealed the contributions of IFRS for financial quality in the form of transparency, comparability and uniformity with the global standard brought various benefits to the country, "[...], but even after 7 years of adoption" the challenges cited in the context of other countries persists in Kenya.

Madawaki(2012) In implementing IFRS Nigeria were also identified that that the IFRS adoption in Nigeria Should be accompanied by development of a legal and regulatory framework, awareness campaign, and training of personnel so as to reap in the benefits of IFRS.

The results of studies in developing countries of other region, such as south East Asia also showed that the benefits of IFRS is agreeable, but with expectation of many challenges to fully adopt the system.

To provide few examples, Jaafar Sidik & Abd Rahim (2012) examined the perception of accountants as to the benefits and challenges of accounting standard to Malaysia. The study motivated to obtain firsthand information of practicing accountants about the benefit and challenges associated with the international

financial reporting standard (IFRS) adopt in 2006. For the purpose a questionnaire survey was conducted with 200 accountants registered in Malaysian Institute of Chartered Accountants. The data were analyzed using a descriptive methods and the result showed that accountants with different academic qualification, years of work experience believed that most of the statements of benefits and challenges of IFRS listed on the survey instrument, which was designed, based on the review of related literatures were alike with the context of Malaysia.

Despite challenges of adopting IFRS it has various advantages hence previous studies showed that countries in Africa need to enhance the law enforcement mechanisms, revisit the accounting curriculum at various stage in order to inculcate the issues of IFRS and other emerging issues, uplifting the knowledge of existing accounting professionals and other stakeholders through workshops, seminars and continuous professional educations so to reduce the challenges in the process of IFRS adoption. (UNCTAD 2008 & Demaki2013)

3. RESEARCH METHODOLOGY

The study followed an exploratory research design for the fact that the area is not well explored in the context of Ethiopia. An exploratory research design was followed to use flexible research strategies that could enable to develop better insight about the issue of IFRS in Ethiopia which is less studied topic. The study consumed secondary data garnered from audited annual reports of 11 banks and review of literature mainly professional and academic journals and other published materials pertaining to the issue. The banks are selected judgmentally. First the banking sector was grouped into state owned and private commercial banks. All (3) state owned banks and 8 private banks were considered. Out of the private banks 4 are among the oldest in age and the reaming 4 were recently joined the banking sector.

Though the study covered five years and 9 banks the observations were limited only to 30 annual reports. This is because some banks do not issued all annual reports online.

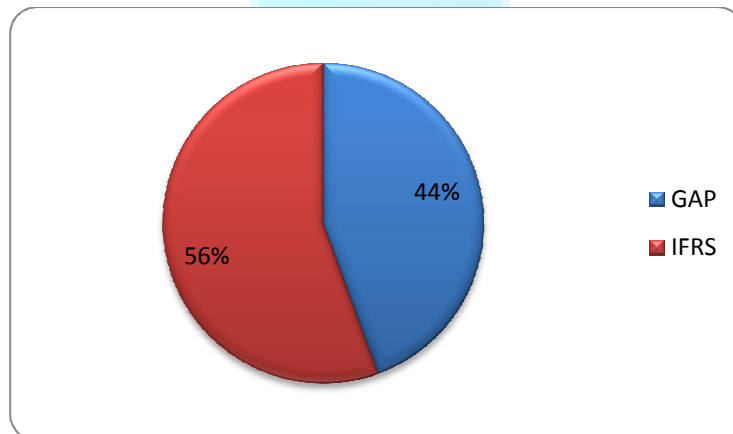
To analyze the data both qualitative and quantitative techniques were employed. First qualitative analyses of data from survey of related literature were made. Following this a descriptive analysis was adopted.

4. RESULT AND DISCUSSIONS

The objectives of this study include the trends of IFRS adoption in Ethiopian banking sector from 2008 to 2012 and identifying issues for further action and further studies. In line with the objective, the findings and discussions are made herein.

4.1. REPORTED ACCOUNTING STANDARDS

The results obtained from analysis of audited annual reports issued by 11 banks from 2008 to 2012 on figure 1, reveled still the inconsistency remains at the ground.



Source: Computed from Audited Annual report of Sampled Banks

As can be seen on figure 1, 56% of financial reports followed IFRS whereas the reaming was based up on GAAP. The result reveled that though IFRS adoption in the banking sector was issued before five years of the study period there are still significant number of reports prepared using the old version of accounting standard (GAAP). The result of this study is consistent with the contention on literatures in Ethiopian accounting and reporting practice before IFRS adoption (Mengesah, 2006; ROSC,2007) and written after standardization(Gizaw,2011; Mihret,2012; Fanthun,2012) that companies in Ethiopia are using IFRS and GAAP variably which could raise doubt in quality of financial information.

4.2. TRENDS OF IFRS ADOPTION

TABLE 1: TRENDS OF IFRS ADOPTION AMONG SAMPLE BANKS FROM 2008-2012

Year	Number of Reports by banks	Number of banks following IFRS	Banks following IFRS
2008	3	2	66.67
2009	7	4	57.14
2010	9	6	66.67
2011	8	6	75
2012	10	8	80

Source: Computed from Audited Annual report of Sampled Banks

Table 1, above, showed that the number of banks following IFRS had been increasing from 2008 to 2012. Though it sluggish the change looks encouraging as the trend indicated 80 % of reports followed similar approaches in 2012. Nevertheless, of 11 banks under the study 2 banks had been using GAAP during all the periods. This showed that the regulatory agencies are not in a position to enforce regulations. Thus the roles of sector specific regulatory agencies are in contradiction with the literature (Michael & et.al, 2008) and have minimal role in enhancing accounting quality. Off course lack of law enforcement were cited as problem of accounting infrastructure in Ethiopian corporate sector (ROSC, 2007) and also confirmed by Fanthun (2012) who recently studied prospects and challenges of IFRs adoption in Ethiopia.

4.3. ADOPTION IFRS IN PUBLIC AND PRIVATE BANKS

When we look at the trend of adoption based on ownership, all state owned banks followed IFRS during the period under the study. On the other hand the trends among private banks were slower. The number of private banks adopting IFRS was very few at the beginning and showed incremental growth throughout the year though still at the end of 2012 there are private banks using GAAP without clear information as to the source.

4.4. THE ROLE OF AUDITORS

It was also observed that financial reporting standard by banks and auditing standard are highly correlated. Except 3 audit reports of a single bank, auditors following ISA reported that their client followed IFRS. Whereas those auditors using GASS and their clients are found to report financial statements are prepared according to GAAP in 11 reports of 3 banks throughout the period covered under the study. There was also a case where accounting standard of a bank changed from GAAP to IFRS following with a replacement of auditor used to follow GASS by the one who works using ISA.

TABLE 2: CORRELATION BETWEEN AUDIT AND ACCOUNTING STANDARDS

	Accounting Standard	Audit Standard
Act. St	1	
Audt.St	0.846234324504335	1

4.5. THE ROLE OF NBE

NBE has a relatively higher discretionary power on setting and enforcing rules and regulations governing operation of banks. It issued directive on financial reporting approach and also scrutinize the quality of independent auditors. However it couldn't manage to enforce banks to standardize accounting methods, nor get assisted by the independent auditors. Though there are some private banks still following the old version of accounting guideline (GAAP) the auditors are issuing standard unqualified report. This showed that auditors might dictate the accounting and reporting standard to be employed by their clients. Thus it is possible to surmise that the current study confirmed its predecessors in that there is no legally backed auditing standard and the application across audit firms remains variable.

5. CONCLUSIONS

One of the qualitative measures of financial reporting quality is comparability of performance among companies and/or a trend of single company across time seems lacking with the observed inconsistent application of accounting standards in Ethiopia. The IFRS adoption in the banking sector is not completed even after five years of directives requesting banks to follow IFRS. Though the trend had been increasing it was not impressive for the fact that there exist some banks following the older version of reporting standard up to 2012.

The study showed that all public sector banks complied with requirement of following IFRS since 2008, whereas the case in private banks is different and only few banks managed to meet the NBE requirement at the beginning.

The review of literature in other African countries showed that lack of qualified man power and other resource including cost of conversion are among the problems. Mengesah(2006) and later confirmed by Fantahun(2012) also showed that lack of adequate professionals and other infrastructure supporting the adoption of IFRS are the main problem.

The result is also consistent with ROSC (2007) that enforcing accounting and auditing standard in Ethiopia is unsatisfactory due to the fact that even sector specific Agencies like NBE has little to do with enforcing accounting and reporting frame work in the banking sector. In line with Fantahun(2012) also indicated that major challenge of early IFRS adopters which attributes to regulatory frame work include lack of strict time bound to convert existing standards to IFRS and lack of implementation guidelines.

It was also concluded that government regulatory agencies (NBE), auditors and professional associations need to integrate to enhance the banks capacity to comply with IFRS.

In sum, this study suggests that regulatory agencies need to enhance law enforcement capability in addition to enacting standards. Moreover professional associations and academics in the country need to revisit the education and training facility in order to incorporate the requirement of IFRS in their training. Organizing capacity building seminars and workshops to accountants and other stakeholders is also worth considering enhancing awareness and bridging the knowledge gaps in implementing IFRS.

The current study depends on secondary data and covered limited number of banks. Moreover as exploratory study it was relayed on fewer rigors statically techniques, but helped to point out the issues for further studies. Future studies focusing on the very need of adopting international standard in Ethiopian reality should be studied by taking into account the existing legal framework and economic condition. Studies that will try to garner the opinions and perception of various stakeholders from both users and preparers of financial statement will also help in pointing out why the IFRS adoption remains sluggish and the required remedial action.

REFERENCES

1. Akintola Owolabi & Francis O. Iyoha, 2012, Adopting International Financial Reporting Standards (IFRS) in Africa: benefits, prospects and challenges, African J. Accounting, Auditing and Finance, Vol. 1,(1) Vol.1, No.1, pp.77 – 86
2. Akwasi A. Ampofoa and Robert J. Sellani,2004, Examining the differences between United States Generally Accepted Accounting Principles (U.S. GAAP) and International Accounting Standards (IAS): implications for the harmonization of accounting standards. Accounting Forum 29 (2005) 219–231, Available [online] at www.since.direct.com
3. Bhattacharjee & Islam, 2009, Problems of Adoption and Application of International Financial Reporting Standards (IFRS) in Bangladesh, International Journal of Business Management, Vol.4 (12), [available online at www.ccsenet/journal.html], last accessed November,2013
4. Cheng-Hwai Liou, 2012, A Study on Financial Reporting Standards and Accounting Quality-Evidence from China, IC-MSQUARE 2012: International Conference on Mathematical Modelling in Physical Sciences IOP Publishing Journal of Physics: Conference Series410 (2013) 012107 doi:10.1088/1742-6596/410/1/012107
5. Commercial Code of Ethiopia 1960, Addis Ababa, Ethiopia
6. David Alexander & Christopher Nobes, 2004, Financial Accounting; an International Introduction, 2nd ed., Pearson Education Limited, Edinburgh Gate Harlow Essex CM20 2JE England
7. Fikru Fantahun, 2012, The Adoption of International Financial Reporting Standards (IFRS) in Ethiopia: Benefits and Key Challenges, [Unpublished] MSC Thesis, Addis Ababa University, Ethiopia
8. G.O. Demaki, 2013, Prospects and Challenges of International Financial Reporting Standards to Economic Development in Nigeria, Global, Journal of Management and Business Research, Volume 13 (1), pp.69-73
9. Huifa Chen, Qingliang Tang, Yihong Jiang and Zhijun Lin. 2010. The Role of International Financial Reporting Standards in Accounting Quality: Evidence from the European Union, Journal of International Financial Management and Accounting 21(3) [online] available at 2010 SSRN: <http://ssrn.com/abstract=1330352>
10. John D. Bazley, Loren A. Nikolai and Jefferson P. Jones, 2007, Intermediate Accounting,10th ed, Thomson-Southwestern
11. Morni Hayati Jaafar Sidik, Rahizah Abd Rahim, 2012, The Benefits and Challenges of Financial Reporting Standards In Malaysia: Accounting Practitioners' Perceptions, Australian Journal of Basic and Applied Sciences, 6(7): pp. 98-108 [online] available at
12. Muroki F. Mwaura & Andrew B. Nyaboga, 2009, International Financial Accounting Standards And The Continent Of Africa, International Business & Economics Research Journal Volume 8, (3), pp.33-46
13. National Bank of Ethiopia (NBE), (1996). Directive. No. SBB 19/94, Approval of Appointment of Independent Auditor, Addis Ababa, Ethiopia
14. NBE, licensing and supervision of banking business Directive NO.SBB 19/1996 Approval of Appointment of independent auditor
15. Norlia Mat Norwani, Zam Zuriyati Mohamad and rahim Tamby Chek, 2011, Corporate Governance Failure and Its Impact on Financial Reporting within Selected Companies, International Journal of Business and Social Science Vol. 2 (21) [Special Issue November 2011], pp.205-213
16. Nyor, Terzungwe, 2012, Challenges of Converging to IFRS in Nigeria, International Journal of Business & Information Technology, Vol-2 No. 2, pp. 25-33
17. Tesfay Mengesha (2006), Establishing & Strengthening Professional Accountancy Bodies – Initiative & Lessons Learned
18. UNCTAD, 2008, Practical implementation of international financial reporting standards Lessons learned, Chapter 4, the case of Kenya, Volume 13 Issue 1 Versions 1.0 Year 2013, Global Journals Inc. (USA), Online ISSN: 2249-4588 & Print ISSN: 0975-5853
19. World Bank (2007), Report on the Observance of Standards and Codes (ROSC) Ethiopia

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, IT & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail infoijrcm@gmail.com for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

DISCLAIMER

The information and opinions presented in the Journal reflect the views of the authors and not of the Journal or its Editorial Board or the Publishers/Editors. Publication does not constitute endorsement by the journal. Neither the Journal nor its publishers/Editors/Editorial Board nor anyone else involved in creating, producing or delivering the journal or the materials contained therein, assumes any liability or responsibility for the accuracy, completeness, or usefulness of any information provided in the journal, nor shall they be liable for any direct, indirect, incidental, special, consequential or punitive damages arising out of the use of information/material contained in the journal. The journal, nor its publishers/Editors/Editorial Board, nor any other party involved in the preparation of material contained in the journal represents or warrants that the information contained herein is in every respect accurate or complete, and they are not responsible for any errors or omissions or for the results obtained from the use of such material. Readers are encouraged to confirm the information contained herein with other sources. The responsibility of the contents and the opinions expressed in this journal is exclusively of the author (s) concerned.

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals

