INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

IJRCM

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., Cabell's Directories of Publishing Opportunities, U.S.A., Google Scholar,
Indian Citation Index (ICI), J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 (2012) & number of libraries all around the world.
Circulated all over the world & Google has verified that scholars of more than **6575 Cities** in **197 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

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to the recent developments & practices in the areas of Computer Science & Applications;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/Mkt./HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript titled '____' for likely publication in one of your journals.

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

I affirm that all the co-authors of this manuscript have seen the submitted version of the manuscript and have agreed to inclusion of their names as co-authors.

Also, if my/our manuscript is accepted, I agree to comply with the formalities as given on the website of the journal. The Journal has discretion to publish our contribution in any of its journals.

NAME OF CORRESPONDING AUTHOR :
Designation/Post* :
Institution/College/University with full address & Pin Code :
Residential address with Pin Code :
Mobile Number (s) with country ISD code :
Is WhatsApp or Viber active on your above noted Mobile Number (Yes/No) :
Landline Number (s) with country ISD code :
E-mail Address :
Alternate E-mail Address :
Nationality :

* i.e. Alumnus (Male Alumni), Alumna (Female Alumni), Student, Research Scholar (M. Phil), Research Scholar (Ph. D.), JRF, Research Assistant, Assistant Lecturer, Lecturer, Senior Lecturer, Junior Assistant Professor, Assistant Professor, Senior Assistant Professor, Co-ordinator, Reader, Associate Professor, Professor, Head, Vice-Principal, Dy. Director, Principal, Director, Dean, President, Vice Chancellor, Industry Designation **etc**. ***The qualification of author is not acceptable for the purpose***.

NOTES:

a) The whole manuscript has to be in ***ONE MS WORD FILE*** only, which will start from the covering letter, inside the manuscript. ***pdf. version is liable to be rejected without any consideration***.

b) The sender is required to mention the following in the **SUBJECT COLUMN of the mail**:

New Manuscript for Review in the area of (e.g. Finance/Marketing/HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

c) There is no need to give any text in the body of the 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 expected to be below **1000 KB**.

e) Only the **Abstract 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 within twenty-four hours*** and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of the manuscript, within two days of its submission, the corresponding author is required to demand for the same by sending a separate mail to the journal.

g) The author (s) name or details should not appear anywhere on the body of the manuscript, except on the covering letter and the cover page of the manuscript, in the manner as mentioned in the guidelines.

2. **MANUSCRIPT TITLE**: The title of the paper should be typed in **bold letters**, **centered** and **fully capitalised**.
3. **AUTHOR NAME (S) & AFFILIATIONS**: Author (s) **name**, **designation**, **affiliation** (s), **address**, **mobile/landline number** (s), and **email/alternate email address** should be given underneath the title.
4. **ACKNOWLEDGMENTS**: Acknowledgements can be given to reviewers, guides, funding institutions, etc., if any.
5. **ABSTRACT**: Abstract should be in **fully Italic printing**, ranging between **150** to **300 words**. The abstract must be informative and elucidating the background, aims, methods, results & conclusion in a **SINGLE PARA**. ***Abbreviations must be mentioned in full***.
6. **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 stop at the end. All words of the keywords, including the first one should be in small letters, except special words e.g. name of the Countries, abbreviations etc.
7. **JEL CODE**: Provide the appropriate Journal of Economic Literature Classification System code (s). JEL codes are available at www.aeaweb.org/econlit/jelCodes.php. However, mentioning of JEL Code is not mandatory.
8. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. *It should be free from any errors i.e. **grammatical, spelling** or **punctuation.** It must be thoroughly edited at your end*.
9. **HEADINGS**: All the headings must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
10. **SUB-HEADINGS**: All the sub-headings must be bold-faced, aligned left and fully capitalised.
11. **MAIN TEXT**:

THE MAIN TEXT SHOULD FOLLOW THE FOLLOWING SEQUENCE:

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

The manuscript should preferably be in ***2000** to **5000 WORDS***, But the limits can vary depending on the nature of the manuscript.

12. **FIGURES & TABLES:** These should be simple, crystal **CLEAR**, **centered**, **separately numbered** & self-explained, and the **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.*

13. **EQUATIONS/FORMULAE:** These should be consecutively numbered in parenthesis, left aligned with equation/formulae number placed at the right. The equation editor provided with standard versions of Microsoft Word may be utilised. If any other equation editor is utilised, author must confirm that these equations may be viewed and edited in versions of Microsoft Office that does not have the editor.

14. **ACRONYMS**: These should not be used in the abstract. The use of acronyms is elsewhere is acceptable. Acronyms should be defined on its first use in each section e.g. Reserve Bank of India (RBI). Acronyms should be redefined on first use in subsequent sections.

15. **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 may follow Harvard Style of Referencing. **Also check to ensure that everything that you are including in the reference section is duly cited in the paper**. 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 italic printing. 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 parenthesis.
- ***Headers, footers, endnotes** and **footnotes** should **not be used** in the document.* However, **you can mention short notes to elucidate some specific point**, which may be placed in number orders before the references.

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, 19–23

UNPUBLISHED DISSERTATIONS

- 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 Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

OPERATIONAL RISK MANAGEMENT IN BANKING SECTOR (COMPARATIVE STUDY OF COMMERCIAL BANKS IN INDIA AND ETHIOPIA)

GANESH MERGU
LECTURER & RESEARCH SCHOLAR
ACHARYA NAGARJUNA UNIVERSITY
GUNTUR

Dr. CHANDRA SEKHARA RAO
PROFESSOR
ACHARYA NAGARJUNA UNIVERSITY
GUNTUR

ABSTRACT
The main objective of the present study is to identify, assess and compare the operational risk management practices in commercial banks of India and Ethiopia. Though Operational risk is not a new for commercial banks and practically not possible to zero down the risk, it has to manage effectively which will influence the profitable and financial position of the organization. Even the main objective of Basel Accord II is to improve stability and soundness of internal and external banking system, which is not successfully implemented by most of the banks. The present study is descriptive in nature and used primary and secondary data, primary data was collected through questionnaire and secondary data was collected through different journal, official documents, and financial statements of the commercial banks. In order to identify the frequency of different risk factors and to collect the relevant data from the selected sample unit's, researcher developed structured questionnaire and determined the sample size by using purposive sampling technique. Multiple linear regression model used to analyze the data statistically, paired T Test to test the Hypotheses and interpreted the data using tables and graphs. At the end point researched identified that, comparatively operation risk management practices are good in commercial banks of India and moderate in Ethiopian commercial banks.

KEYWORDS
operational risk, basel framework, risk management.

JEL CODES
G20, G21.

INTRODUCTION
Operation risk defined as direct or indirect loss resulting from inadequate or failed internal process, external events, peoples and system (Basel Committee). This definition incorporates a relatively broad area of risks, with the inclusion of for instance, strategic, transaction or legal risk However, the reputation risk and strategic risk are excluded from the Basel II definition. There are many definitions of operational risk such as "*a measure of the link between a firm's business activities and the variation in its business results*" (King, 2001). "*The risk arising from human and technical errors and accidents*" (Jorion, 2000).
Operational risk is catastrophic in nature, it may not cause for the financial risk exactly but indirectly it will damage and cause for credit and market risk of course significantly affect the financial performance of the organization. After credit, market risk operational risk is one of the most significant risk that many of the commercial banks faces and high-end concentration to manage the same, most of the banks developed sophisticated system to manage financial risk but they failed in managing operational risk which cause for the adverse effect in commercial banks.
Effective Operational risk management is compulsory for the commercial banks in modern financial markets, as remarkable changes has taken place, high degree of structural changes and complex system. The most important type of operational risks that most of the commercial banks facing now involves breaking down internal control and corporate governance such breakdowns can lead to financial loss through fraud and breaches, hence timely manner control needed to avoid the risk. Operational Risk is no longer manageable by a single country effort, on the other hand an approach is need which can only be devised by the efforts at the Global level, the recent effort being "Basel III", developed by the Basel Committee on Banking Supervision which lays down comprehensive set of reforms, to manage inter-alia operational risk of the banking sector aiming to provide effective risk management in a banking system.

LITERATURE REVIEW
In 2006 Banks intentional settlements (BIS) proposed that, in process of significant operation risk management banks should be made to carry capital cushion against losses from this operational risk. The main objective of risk management is to setup key indicators to identify, measure and control the risks and ultimately increase the value of the shareholder's. Moosa studied the operational risk in commercial banks, especially he focused on identification, classification, characteristics, measurement and management of operational risk and he stated that operational risk is truly a controversial topic which has led to the emergence of new standards.
Galloppo and Rogora did a research on operation risk measurement methods used, and observed that generalized parametric distributions, such as g and h distributions as well as limit distributions under extreme value theory, generalized pareto distribution can be used to estimate the fat tailed behavior of operational risk under the loss distribution approach (LDA). Researcher provided existing operational risk management practices and told that LDA is most prominent approach under advance measurement approaches.
Karafarin bank of Iran have been identified and categorized operational risk according Basel II, types follows 1. Internal fraud 2. External fraud 3. Employment practices and safety 4. Clients, products, and business practices 5. Damage to physical assets. Business disruption and system failure 7. Execution, delivery and process management, related to above each type of risk categories gathered in eight Basel II definitions as 1. Corporate finance 2. Trading and sales 3. Retail banking 4. Commercial banking 5. Payment and settlement 6. Agency services 7. Asset management 8. Retail brokerage.
Aue and kalkbrener, 2006 (Deutsche bank), Chapelle et al 2007 (National bank of Belgium) and Moscadelli, 2005 (bank of Italy) considered operational loss as confidential though main source of operation risk involves software and hardware failure, disruption in telecommunication, data entry error, accounting error, collateral management failure, inaccurate reports, incomplete legal documents, unauthorized access to accounts, damage to the client's data and assets, and vendor disputes. Jobst, 2007 mentioned in his study has operational risk management methods are differ from those of credit and market risk management. Operational risk management focuses on low diversity/high impact events, rather than central projections or tendencies, reason why operational risk management should reflect tail events which harder to manage.
Cruz, and Panjer, 2002 & 2006 stated in their as operational risk can figure ideas form insurance mathematics in methodology development, Embrechts 2005, 2006, they did studies in early stages on operation risk management and modelling of extreme event for insurance and finance later on he extended his stidies and it became classic in the operational risk literature. Moscadelli, 2005 conducted in-depth Extreme Value Theory (EVT) analysis for operational losses based on full QIS data sets and finally concluded that, the loss distribution functions are well fitted by generalized Pareto distributions in the upper-tail area.

There are so many models and methodologies to develop the frequency and severity operational risk including EVT, operational risk model supports the risk managers to anticipate effective risk management and enhance the performance. When modelling operational risk the most first was robust statics methods which excludes outlier form a data sample, on the other hand stress testing methods adds more date sample and widely used by financial institutions, Chernobai, Ratchey, Rosengren and Ripple, 2006.
Managing operation risk process is entirely different form managing market and credit risk in the commercial banks, the distinctive feature of operational risk may cause significant divergence of the individual steps o operational risk management from the corresponding market and credit risk management. And one of the major differences between operational and other risk management is implementation of operational risk management at all hierarchical level is very difficult and author attributed this difficulty to the absence of portfolio concept for amassing individual risks categories that enhance operational risk management process. Kaiser and Kohne, 2006.
Netter and Poulsen, 2003 Highlighted that banks have to focus on operational risk management and need to develop sophisticated ways to identify and measure the operational risk in financial services this is due to increase in level of operation or may be because of new regulations. Kingsley, 1998 stated the following objectives of operational risk management 1. Avoiding catastrophic losses 2. Generating a broad understanding of operational issues 3. Enabling the firm to anticipate risk more effectively 4. Providing objective performance measurement 5. Changing behavior to reduce operational risk 6. Providing objective information 7. Ensuring adequate due diligence when carrying out mergers and acquisition, all of the above objectives fall under risk avoidance and risk reduction but operational risk management is more than that as of encompassing risk transfer and risk financing.

SCOPE OF THE STUDY
The present study is undertaken in two countries i.e. India and Ethiopia. Both the countries have strong banking sector in their economy. Geographically the study is limited to Nizamabad district of Telangana State in India and SNNPR Region of Ethiopia. Risk management is unique area where continuous and Constance policy and procedures has to determined, commercial banks are generally faces different types of risks out of researcher selected only operational risk that every commercial banks has to manage effectively to survive in competitive rivalry.

STATEMENT OF THE PROBLEM
In the decade since the global financial crisis all most all the banks and their regulators are more attentive to manage the risk. However, banks have established cultured system for controlling financial risks but they are struggling to deal with operational risk. Losses from these operational risk can be calamitous in nature, but its impact on the bank's overall business and reputation, sometimes intimidating its very existence. In recent years, banks around the world have been caught up in headline-generating scandals triggered by failures to contain operational risk. From 2011 to 2016, major banks suffered nearly $210 billion in losses from operational Most of these losses stemmed from preventable mistakes made when employees and systems interacted with clients, flaws in the way transactions were processed or outright fraud. Compared with financial risk, operational risk is more complex and more challenging to monitor, control and manage. Many banks have a hard-hitting time understanding, measuring and managing the interconnected factors that contribute to operational risk, including human behavior, organizational processes and IT systems. They find it challenging to create cultural, governance and management structures that can systematically control these risks. Instead of taking a deeply integrated, proactive and long-term approach to ORM, they end up managing operational risk with reactive, short-term measures. Customer focus and digitalization is not a solution for operational risk, sometimes it may create another problem.

Research Questions (the following questions are examined)
1. What are the policies, and procedures used for the operational risks associated with the commercial banks of India and Ethiopia?
2. Is there any significant difference of operational risk management practices between commercial banks of India and Ethiopia?

NEED OF THE STUDY
A preliminary study of operational risk management practices followed by commercial bank in India and also in Ethiopia revealed that in certain areas Ethiopian banks are following best practices in managing operational risk and similarly commercial banks in India are also excelling in some other practices in managing operational risks. The researcher felt that a comparative study of operational risk management of both the countries will help in suggesting a suitable best methods of managerial operational risks by commercial banks in both the countries

OBJECTIVES OF THE STUDY
The preliminary objective of the present study is to identify and assess the operational risk management practices in commercial banks of India and Ethiopia. Further the specific objectives are as follows
1. To study and assess the operational risk management practices in commercial banks of India and Ethiopia
2. To compare the significant differences of operational risk management practices between selected sample countries.
3. To offer suggestive measures to improve the management of operational risks in both the countries.

HYPOTHESES OF THE STUDY
Ho1: There is no significant difference regarding operational risk management practices between commercial banks of India and Ethiopia**.**
H1: There is no significant difference regarding operational risk management practices between commercial banks of India and Ethiopia**.**

RESEARCH METHODOLOGY
The present study is descriptive in nature and used primary and secondary data, primary data was collected through structured questionnaire and the secondary was collected through journals, publications, Books, Newspapers, magazines and financial statements of the commercial banks in India and Ethiopia

SAMPLE UNITS
Researcher selected 3 commercial banks from each selected sample countries respectively, out of one is state owned and two are private sector banks namely STATE BANK OF INDIA, HDFC Bank and ICICI Bank from India and COMMERCIAL BANK OF ETHIOPIA, BANK OF ABYSSINIYAN and DASHEN Bank from Ethiopia. Due to political and social unrest at the time of the study researcher used purposive sampling technique to determine the sample size.

DETAILS OF POPULATION AND SAMPLE SIZE

TABLE A

INDIA (Nizamabad and Medak District, Telangana state)	TARGET POPULATION	SAMPLE SIZE
STATE BNANK OF INDIA	92	30
HDFC BANK LTD	16	15
ICICI BANK LTD	16	15
ETHIOPIA (SNNPR Region)		
COMMERCIAL BANK OF ETHIOPIA (Main Branches)	92	30
BANK OF ABYSSININA	33	15
DASHEN BANK	28	15

DATA ANALYSIS
Collected data was analyzed and interpreted using statistical (SPSS) Techniques. Statistically researcher used Multiple Linear Regression model was used to explain the relationship between one continuous dependent variable and two or more Independent variables.

RESULTS AND DISCUSSION

REGRESSION RESULT OF OPERATIONAL RISK MANAGEMENT IN INDIAN COMMERCIAL BANKS

Table 1.1 presents Model summary of Regression analysis. The R value which represents simple correlation is 0.856 which represents high degree of correlation and R^2 value is 0.732 which indicates total variance in dependent variable. 73.2 percent of independent variables explains variance in dependent variable.

TABLE 1.1: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.856[a]	.732	.584	.42589

Table 56.24 presents ANOVA result which reports how well the regression equation fits the data (i.e. predicts the dependent variable). F value is 4.946 at 0.000 significance level and the value of F is statistically significant at a level of 0.05 or less, this suggests statistically significantly predicts outcome variables.

TABLE 1.2: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.841	21	.897	4.946	.000[b]
	Residual	6.893	38	.181		
	Total	25.733	59			

REGRESSION RESULTS OF OPERATIONAL RISK IN COMMERCIAL BANKS OF ETHIOPIA

Table 1.3 presents Model summary of Regression analysis. The R value which represents simple correlation is 0.978 which represents high degree of correlation and R^2 value is 0.957 which indicates total variance in dependent variable. 95.7 percent of independent variables explains variance in dependent variable.

TABLE 1.3 MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.978[a]	.957	.933	.34478

Table 1.4 presents ANOVA result which reports how well the regression equation fits the data (i.e. predicts the dependent variable). F value is 39.826 at 0.000 significance level and the value of F is statistically significant at a level of 0.05 or less, this suggests statistically significantly predicts outcome variables.

TABLE 1.4 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	99.416	21	4.734	39.826	.000[b]
	Residual	4.517	38	.119		
	Total	103.933	59			

Development of operational risk management policies and rules at bank/corporate level is excellent in commercial banks of India, and, moderate in commercial banks of Ethiopia. Development of comprehensive plans is very important for every commercial banks in order to manage Operational risks. Many factors affecting operational risk management in commercial banks, and people are the primary factor of operational risk, effect of people factor like incompetence, negligence, low morale, high staff turnover etc.; are very high in commercial banks of Ethiopia.

Process factor like procedure error, execution error, documentation errors, product complexity, security risk etc. On operational risk are more in commercial banks of Ethiopia and Comparatively system effects like system infiltrations, system failure, technical frauds, telecommunication risk, hackers, programming error, etc..... is more in commercial banks of Ethiopia than Indian commercial banks. The effect of external environments like domestic political up heal, business environment changes, regularity and compliances, strikes, money laundering etc. on operation risk is very high in commercial banks of Ethiopia and moderated in Indian commercial banks. Commercial banks of Ethiopia are poor in maintaining information technology and computer systems with high reliability suited to the scale and operation of the organization, Indian commercial banks far better in maintaining technology and computer systems with high reliability and also very effective in managing system problems.

Indian commercial banks are more effective in identifying and managing possible occurrence of new operational risks, than commercial banks of Ethiopia. Applying weighting quantitative and qualitative factors to financial indicators (Gross profit, Expenses), Review of revised operational risk policies is good in commercial bank of India and moderate in commercial banks of Ethiopia. Overall Indian commercial banks are very good in managing operational risk than commercial banks of Ethiopia, it is necessary for all the banks to revise their operation risk policies and procedures, update the technology according to the competition, and improve training and development strategies so that performance of operational risk management will be enhanced at the earliest.

CONCLUSION

For banks, it is a fundamental capability as they buy and sell risk every day. There are many examples of poor risk management practices from the recent financial crisis and After credit, market risk operational risk is one of the most significant risk that many of the commercial banks faces and high-end concentration to manage the same, most of the banks developed sophisticated system to manage financial risk but they failed in managing operational risk which cause for the adverse effect on commercial banks. The present study tried to identify the best risk management practices in both the countries and offered the suggestion to improve management of operational risks in commercial banks.

LIMITATIONS OF THE STUDY

- The study is limited to the commercial private, and public sector banks of India and Ethiopia. Due to political and social unrest in Ethiopia during the period of the study, researched forced to select Purposive Sampling Technique to determine the sample size.
- The perceptions and expectations of respondents are limited to the time period of the study.
- The perceptions of the bankers are limited only to the place of study.

REFERENCES

1. Tanase and Serbu, 2010 Financial services in crisis: Operational risk management to the rescue, Research journal's Journal of Finance Vol. 2 | No. 2 February 2014
2. Tanase, R. D. and Serbu R. (2010). Operational Risk and E-banking. Bulletin of the Transivania University of Brasov, Series V, Economic Sciences, 3 (1), 327-334
3. Shafiq, Afsheen & Nasr, Mohamed. (2010). Risk Management Practices Followed by the Commercial Banks in Pakistan. International Review of Business Research Papers Volume. 6. 308-325
4. Dr. Shaik Abdul Majeeb Pasha and Mr. Tolosa Negese, 2014 Risk Assessment and Handling in Ethiopian Banking: A Comparative Study in Public and Private Sector Vol.6, No.14
5. Dorfman, Mark S.). Introduction to Risk Management and Insurance (9 Ed.). Englewood Cliffs, N.J: Prentice Hall. 2007

WEBSITES VISITED

6. https://en.wikipedia.org/wiki/Basel_I Basil I, from website 2017
7. https://en.wikipedia.org/wiki/Basel_II Basil II, from website 2017

ANNEXURE

The below tables present beta Coefficients and t values of the respondent's perception towards operational risk management practices in commercial banks of India and Ethiopia.

TABLE 1: COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.759	.703		6.774	.000
	Operational Risk Management policy and rules developed at bank/corporate level	-.161	.100	-.206	-1.613	.115
	Operational risk management policies corresponding with overall risk management policies	.377	.141	.371	2.675	.011
	Development of Comprehensive Operational Risk Management Division	.023	.073	.040	.312	.756
	Effect of Primary factor of Operational Risk Management – People	-.027	.072	-.043	-.375	.710
	Effect of Primary factor of Operational Risk Management – Processes	-.124	.094	-.158	-1.318	.195
	Effect of Primary factor of Operational Risk Management – Systems	.084	.083	.114	1.023	.313
	Effect of Primary factor of Operational Risk Management - Internal Environment	-.085	.071	-.131	-1.201	.237
	Effect of Primary factor of Operational Risk Management - External Environment	.133	.097	.167	1.375	.177
	System of training and education to enhance the ability of employees to conduct comprehensive operational risk management in an effective manner, thus developing human resources with relevant expertise	-.600	.158	-.590	-3.794	.001
	system of identifying high staff turnover	.033	.094	.046	.350	.728
	system of identifying ethical behaviour and motivation of employees	.297	.191	.390	1.557	.128
	Status of Information technology and computer system with high reliability suited to the scale and operations	-.259	.152	-.370	-1.700	.097
	Status of identifying system infiltration, failures and programming errors	-.147	.170	-.192	-.866	.392
	implementing formal operational risk management process	-.045	.105	-.071	-.433	.668
	identification of possible occurrence of new operational risks	.035	.136	.057	.257	.798
	system of identifying documentation and procedural errors	-.143	.139	-.211	-1.028	.310
	system of Risk transfer and Risk Financing Methods for Operational risks	-.300	.144	-.375	-2.088	.044
	Development of Comprehensive Risk Management Division for Assessment and Analysis of Internal and External risk factors	.038	.194	.045	.197	.845
	Applying weighting quantitative and qualitative factors to financial indicators (Gross profit, Expenses etc.)	.080	.099	.105	.808	.424
	Review of revised operational risk policies and methods	-.263	.135	-.300	-1.942	.060
	Status of reviewing and reporting of Operational risks to the senior management	-.199	.157	-.199	-1.264	.214

a. Dependent Variable: Overall Operational Risk Management

TABLE 2: COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.516	1.548		2.271	.029
	Operational Risk Management policy and rules developed at bank/corporate level	.088	.140	.086	.628	.533
	Operational risk management policies corresponding with overall risk management policies	-.037	.120	-.034	-.305	.762
	Development of Comprehensive Operational Risk Management Division	.154	.096	.159	1.591	.120
	Effect of Primary factor of Operational Risk Management – People	.310	.095	.217	3.262	.002
	Effect of Primary factor of Operational Risk Management – Processes	-.186	.161	-.155	-1.158	.254
	Effect of Primary factor of Operational Risk Management – Systems	.295	.089	.243	3.330	.002
	Effect of Primary factor of Operational Risk Management - Internal Environment	-.326	.136	-.286	-2.398	.021
	Effect of Primary factor of Operational Risk Management - External Environment	-.629	.199	-.481	-3.160	.003
	System of training and education to enhance the ability of employees to conduct comprehensive operational risk management in an effective manner, thus developing human resources with relevant expertise	.079	.123	.058	.646	.522
	system of identifying high staff turnover	.079	.139	.053	.566	.574
	system of identifying ethical behaviour and motivation of employees	-.098	.155	-.075	-.634	.530
	Status of Information technology and computer system with high reliability suited to the scale and operations	.055	.124	.053	.447	.657
	Status of identifying system infiltration, failures and programming errors	-.040	.184	-.030	-.216	.830
	implementing formal operational risk management process	-.564	.138	-.491	-4.083	.000
	identification of possible occurrence of new operational risks	.650	.167	.627	3.887	.000
	system of identifying documentation and procedural errors	-.222	.143	-.152	-1.558	.128
	system of Risk transfer and Risk Financing Methods for Operational risks	.284	.197	.221	1.444	.157
	Development of Comprehensive Risk Management Division for Assessment and Analysis of Internal and External risk factors	.125	.150	.113	.833	.410
	Applying weighting quantitative and qualitative factors to financial indicators (Gross profit, Expenses etc.)	-.465	.174	-.228	-2.664	.011
	Review of revised operational risk policies and methods	-.166	.138	-.153	-1.205	.236
	Status of reviewing and reporting of Operational risks to the senior management	-.032	.108	-.029	-.292	.772

a. Dependent Variable: Overall Operational Risk Management

HYPOTHESES TEST RESULTS TABLES

TABLE 3: PAIRED SAMPLES STATISTICS

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Overall perception towards Operational Risk Management (Indian)	2.0667	60	.66042	.08526
	Overall perception towards Operational Risk Management (Ethiopian)	2.6333	60	1.32725	.17135

TABLE 4: PAIRED SAMPLES CORRELATIONS

		N	Correlation	Sig.
Pair 1	Overall perception towards Operational Risk Management & Overall perception towards Operational Risk Management	60	.357	.005

TABLE 5: PAIRED SAMPLES TEST

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Overall perception towards Operational Risk Management - Overall perception towards Operational Risk Management	-.56667	1.25370	.16185	-.89053	-.24280	-3.501	59	.001

Result: Null hypothesis is rejected and Alternate hypothesis is accepted

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce & 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 to an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

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