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

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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.

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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

INVESTIGATIONS OF DETERMINANTS FOR TAX EVASION IN CATEGORY 'C' TAXPAYERS: A CASE OF ADET TOWN

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ABSTRACT

Sustainable economic development can be achieved when the peoples of the country works together with the administrative body/government and strives to contribute what is expected from them. This study is designed to investigate the determinants of tax evasion in a case of category "C" business profit taxpayers in Adet town. To realize the designed objectives, the researcher used primary and secondary data. In order to collect the necessary primary data; questionnaires were distributed to 308 sample respondents and analyzed the returned 240 questionnaires. To determine the sample size simple random sampling technique was used. Responses of respondents were analyzed by using STATA 10 software application via binary logistic regression analysis. The findings of the study showed that, level of income, tax moral tax fairness, and level of tax enforcement have a significant negative influence on tax evasion. On the other hand, marginal tax rate has a significant positive influence on tax compliance.

KEYWORDS
income level, tax enforcement, tax evasion, tax fairness, tax morale.

JEL CODES
H20, H26.

1. INTRODUCTION

In any developing and developed country tax served as a major source of revenue. The governments of the country impose tax on the citizens to provide public expenditures that will helpful for maximizing social welfare like; infrastructural facility. The United States of America has separate federal, state, and local governments with taxes imposed at each of these levels. Taxes are levied on income, payroll, property, sales, capital gains, dividends, imports, estates and gifts, as well as various fees. Building tax administration capacity is needed to help spur development in Africa. A new survey shows that action is being taken, but more work is needed. Tax revenues accounts for over a third of GDP in OCED countries. But they account for far less in developing countries, particularly in sub-Saharan Africa, where they correspond to less than a fifth of GDP. As the information obtained from Asian development bank on 2010, the tax burdens at a regional scale are among the lowest in the world (https://www.adb.org).

In Ethiopia, the power of collecting tax is assigned to both the federal and state government in their specified territory. To do this tax revenues are classified in to four schedules of tax. Those are schedule A income, Schedule B income, schedule C income, and schedule D income taxes. Based on those four tax schedules the government of Ethiopia collects majority of its revenue from taxation. However, the great devil for tax revenue (tax evasion) makes unable the government to generate as such (EITP No.286/2002)

Tax evasion refers to the intentional misrepresentation by the payer to reduce the amount of tax liability. This can be done by dishonest tax reporting, such as declaring less income, profits or gains than the amounts actually earned, or overstating deductions (http://en.m.wikiepedia.org)

2. REVIEW OF RELATED LITERATURES

Different studies were undertaken regarding to tax evasion at different times. The motive of taxpayers to comply with tax is emanated from their attitudes and morals to enhance their society they are living. Empirical studies indicate that taxpayers overall the world pay more taxes than what it is expected by even the highest feasible levels of auditing, penalties and risk aversion (Alm et al. 1992, 2007). These high levels of tax compliance result from the tax morale of society that fosters self-enforcement of tax compliance and the motive to avoid tax evasion. According to torgler, *et al*, (2007) on their study reflected that tax morale is, however, not easy to establish. Especially countries without a deep-rooted 'culture' and habit of paying taxes find it difficult to establish tax morale. Many authors tried to assess the determinants of tax evasion. Of them some are stated as follows:

ECONOMICAL FACTORS

Economic factors are influential in determining the level of evasion, those are income level, sources of income, marginal tax rate, punishment amount, etc. peoples at Middle-income level are more interested to comply with the tax law, because they always worried about the psychological and mental punishment, the tax compliance of high and low income earners is relatively low (R. Mason, H. Lowry, 1981). The source of income also influences tax evasion; when a country's labor forces were mainly engaged in agriculture, small trade volume, then the tax collection was difficult (G. Schmölders, 1970). Taxpayers engaged in agriculture and self-employed professionals were most likely to evade tax, while taxpayers whose wage and salary needed to be paid in advance were most difficult to evade tax (I.G. Wallschutzky, 1984). Comparing to public sectors who had a motive of declaration high profi ts, private enterprises were more willing to evade tax (M. Hanlon, L. Mills, J. Slemrod,2007). Some income sources need not declaration in the United States, for example, income from farms or wholly foreign owned enterprises. Comparing to the declared, less amount of $289 of the entire population, statistics of TCMP in 1988 showed that the underreporting income of the taxpayer of American farms and sole proprietor reached $1058 and $827 respectively.

Evasion problems for analyzing the effects of governments intervention in the economy; it redistributes the tax burden and affects the costs of raising taxes, "bread-and-butter concerns of public economics" (Slemrod, 2017).

Tax evasion typically results in revenue loss to the government. This may cause inevitable distraction to the potential performance of the public sector, hence threatening its competence to finance public expenditure (Muzainah M., and Zakariya'u G.,2016)

Some evidence from the literature posits that low-income earners are highly engaged in the attitude of tax evasion (Johns and Slemrod, 2008). They further stated that a number of significant underreported taxes came from low-income earners. According to Alm et al. (1992), high-income earners are less evasive i.e., high income encourages and increases tax compliance. Therefore, the literature shows that there is a negative relationship between income level of taxpayers and tax evasion. Other studies that show the existent of relationship between income level and tax evasion include the work of Nor et al. (2012), Bashar et al. (2008) and Davos (2006). Aziah et al. (2011), in their study on tax evasion in Yemen, found that income level has a significant relationship with tax evasion i.e., how much a person earns define the way he thinks in reporting and complying with the tax authorities. On the other hand, Lutfi (2009) found that income level has no significant relationship with tax evasion. This means that, high or low income earnings, will not affect the taxpayer's decision to evade taxes. According to the study, other factors are held responsible for non-compliance and not income status of the taxpayer.

Tax rate is also one economic factor in determining the level of evasion. As evidenced from different literatures an increase in the tax rate will result in an increase in the propensity for tax evasion (Clotfelter, 1983; Crane & Nourzad, 1990; Alm, Jackson & Mc Kee, 1992; Pommerehne & Weck-Hannemann, 1996; Saracoglu, 2008). A positive relationship has been identified in the literature between income level and tax evasion: as individuals' income levels increase, their tax evasion behavior also increases (Crane & Nourzad, 1990; Becker, Büchner & Sleeking, 1987). However, Dubin, Graetz, and Wilde (1990) conclude that "there is strong direct relationship between real income per capita and reported taxes per return", and the empirical results of Alm, Jackson, and McKee (1992) indicate that "higher income leads to higher compliance". Johns and Slemrod (2008) find that "the ratio of underreported tax to true tax highest for lower-income taxpayers". In other words, lower-income taxpayers have lower compliance. This finding implies that low-income earners are likely to hide their income. However, Feinsten (1991) finds no significant relationship between income and tax evasion.

Marginal tax rates is one key determinant of tax evasion, but empirical results are mixed. Different researchers and authors found different results regarding to the effects of marginal tax rate on tax evasion. Clotfelter (1983) and Mason and Calvin (1984) show a positive association between marginal tax rates and tax evasion, while Feinstein (1991) and Christian and Gupta (1993) show a negative association between them. Richardson and Sawyer (2001) claim that not controlling for the correlation between marginal tax rates and income level may cause this inconsistency. They cite the work of Feinstein (1991) who tests an economic model of tax evasion using pooled data. By pooling data from years in which different tax schedules were operating in the US, Feinstein (1991) is able to separate-out the effects of marginal tax rates and income level. The results show that higher marginal tax rates reduces tax evasion.

PSYCHOLOGICAL FACTORS

The level of tax evasion also determined by different psychological factors such like tax moral, civic duty, and law-abiding citizens. Evidences from different literatures showed that a positive tax mentality and tax moral is vital in minimizing the level of evasion (Kirchler, 1997 and Feld, Torgler, and Dong,2008). Tax morale is dependent on taxpayers' intrinsic attitudes toward honesty and social stigma. Social stigma represents the reputational cost. A decrease in reputational cost tends to increase tax evasion (Dell'Anno, 2009). Dulleck et al. (2012) conduct an experiment using heart rate signals to analyze the relationship between psychic cost (for instance, feelings of guilt) and tax compliance. They find a positive relationship between psychic cost and tax compliance. Bayrakli, Saruc, and Sagbas (2004) show that when tax-evading behavior is known by other people, the resulting embarrassment cost tends to decrease tax evasion. While tax morale is a vague concept (Jackson and Milliron 1986), it describes the morale principles or values individuals hold about paying taxes (Torgler and Murphy 2004). Research by Spicer (1974), Spicer and Lundstedt (1976) and Tittle (1980) found that the tax morale of individuals is negatively associated with tax evasion. Torgler (2003a) also shows that tax morale and tax evasion are negatively correlated. Moreover, Riahi-Belkaoui (2004) also provides evidence which indicates that tax evasion across countries is negatively related to selected determinants of tax morale.

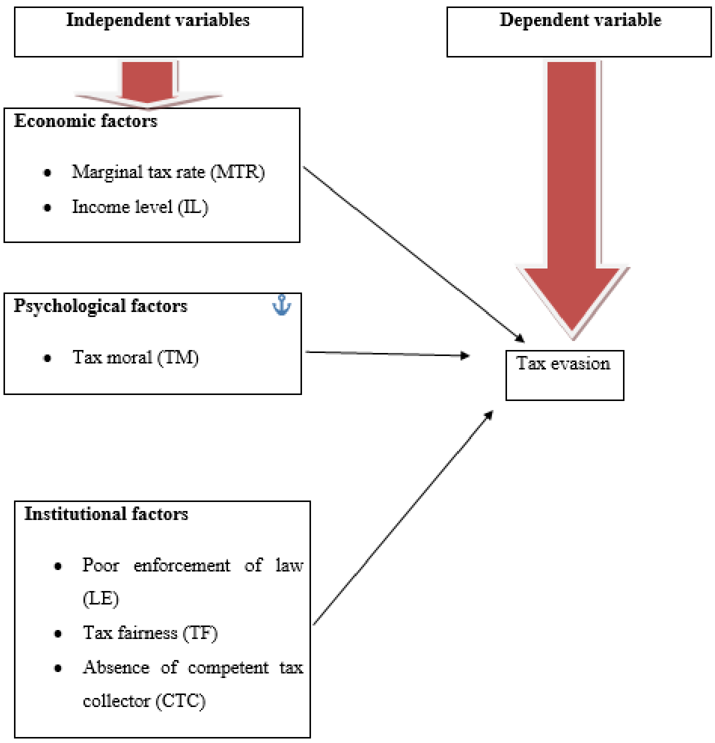
INSTITUTIONAL FACTORS

It is generally accepted that perceptions about tax fairness and tax evasion are related (Jackson and Milliron 1986). The importance of taxpayers 'perceptions' of tax fairness should not be underestimated (Richardson and Sawyer 2001). Spicer (1974) found a significant negative association between these, while Song and Yarbrough (1978) find a significant negative association, with 75 % of subjects stating that 'ability to pay' was more significant than 'benefits.' Hite and Roberts (1992) also find that tax fairness was significantly associated with perceptions of an improved tax system, and that tax fairness and tax evasion are negatively related.

CONCEPTUAL FRAMEWORK

This study conceptualizes that tax evasion could be determined by economic factors (income level of taxpayers and marginal tax rate), psychological factors (tax moral) and institutional factors (tax fairness, poor enforcement and absence of competent tax collectors). So, this study is designed to test the nature and the strength of these relationships. This study tests the conceptual framework presented in figure 1

FIGURE 1: CONCEPTUAL FRAME WORK



Source: Researcher

3. IMPORTANCE OF THE STUDY

The finding of this study will be used by a number of stake holders for instance, tax payers, Ethiopian revenue and custom authority (ERCA), government, and other researchers.

Tax payers will understand the critical role of voluntarily tax compliance as an engine to economic development and reduce non-compliance behavior.

ERCA: the study also will help ERCA to know the problems faced with tax payers and to issue mechanisms that will reduce those challenges they faced.

Government: The study will aid in policy making by the government which can minimize evasion of tax by the category C tax payers. This will help the government raise more domestic revenue from tax collection.

Other researchers: The study will use other researchers to investigate the issue further as a direction.

4. STATEMENT OF THE PROBLEM

Tax is a major source of revenue for both developed and developing countries to finance public expenditures. The development of any country depends on its revenue generation capacity. However, there is some obstacles that hindered in generating the tax revenue, that is called evasion. Tax evasion is not a problem that is restricted to developing country, but also a problem of many developed countries. However, the degree is severe in developing countries.

The United Nations economic commission for Africa estimates, in a recent report, those African governments loses between $30 billion and$60 billion per year to tax evasion, or other forms of what they call “illicit financial flows”.

In the case of our country Ethiopia, tax evasion is the great problem. This problem may arise from different bottle necked factors. So, searching for those factors is helpful to minimize and narrow the gap between the estimated amounts of tax and actually collected amounts of tax and enhance the amounts of revenue generated by the revenue authority. Thus this study tries to answer the following research questions;

- What psychological factor aggravates tax evasion?
- What are the institutional factors that may push the payers to evade tax?
- What individual factors that may open the door for evasion?
- What are the economic factors that are the reason for evasion?

5. OBJECTIVES OF THE STUDY

5.1. GENERAL OBJECTIVE

Generally, this study is designed to investigate the determinants of tax evasion in category “C” taxpayers of Adet town.

5.2. SPECIFIC OBJECTIVE

Specifically, this study aimed to achieve the following specific objectives.

- To examine the effects of psychological factors on tax evasion.
- To Evaluate the extent to which the institution related factors affect tax evasion.
- To examine the effects of individual factors on tax evasion.

6. STUDY HYPOTHESIS

Ha1: income level has a negative relationship with tax evasion.

Ha2: Marginal tax rate has a significant positive influence on tax evasion.

Ha3: low tax moral aggravates tax evasion weak enforcement of tax law has a significant positive effect on tax evasion.

Ha4: tax fairness has a negative significant influence on tax evasion.

Ha5: level of tax enforcement has a significant negative impact on tax evasion.

Ha6: absence of competent tax collectors significantly aggravates tax evasion.

7. RESEARCH METHODOLOGY

7.1. RESEARCH DESIGN

To achieve the stated study objectives in chapter one the study used a hypothesis testing research design. This research design is characterized by manipulating independent variables to show its effect on the explained/ dependent variable.

7.2. TYPES OF DATA AND DATA COLLECTION TECHNIQUE

The study used primary data only. This primary data was collected from the respondents by offering a close ended questionnaire to the selected sample respondents. Questionnaires were prepared via English and Amharic language.

7.3. SAMPLE SIZE AND SAMPLING TECHNIQUE

In this study category “c” taxpayers those are found in Adet town those are 1,342 in number and Adet town revenue office employees those are 43 in number are target populations. To select sample category “c” taxpayers from the population the researcher used a probability sampling method simple random sampling technique. The sample size of taxpayers was determined by using sample determination formula developed by Yemane (1967): $n=N/1+N(e^2)$. Based on this sample determination formula the sample size for the study was calculated as follows:

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{1342}{1+1342(0.05)^2}$$

n=308

Where: N- population, n- Sample size, e- Margin of error

To select sample employees from the population the study used judgmental sampling technique. And the researcher selected 21 sample employees from the total 43 employees.

7.4. METHODS OF DATA ANALYSIS

Data that are obtained from sample respondents and sample employees of the revenue office were analyzed by using an econometric model called binary logistic regression analysis via a statistical software application of STATA 10.

8. RESULTS AND DISCUSSIONS

This chapter presents, analyzes and interprets the results of the study based on the formulated objectives and hypotheses that are presented in chapter one and estimate the conceptual model described in chapter two. To this end 240 questionnaires are collected and summarized which is approximately 78 % response rate. Besides, the model estimation and the analysis of the results are then discussed and different tests are involved for the fitness of the model. Finally the formulated hypothesis for each variable in chapter one is tested.

8.1. RELEVANT TESTS

8.1.1. RELIABILITY TEST

According to Maslach and Jackson (1986), the reliability analysis is accepted if the Cronbach’s alpha coefficient range is between 0.6 and 1.0. As reflected in the following table the scale reliability coefficient 0.6598 is greater than the cut off croanbach alpha 0.6. This tells us the data for the study as a whole is relevant

TABLE 1: RELIABILITY TEST

Test scale = mean (unstandardized items) Reversed items: TF MTR CTC
Average inter-item covariance:.6157508
Number of items in the scale: 6
Scale reliability coefficient: 0.6598

Source: STATA 10

8.1.2. MULTICOLLINEARITY TEST

Multicollinerity occurs when independent variables in a regression model are correlated. This correlation is a problem because independent variables should be independent. The study used variance inflation factor (VIF) of each variable to test the presence of multicolliniearity between independent variables. Multicollinearity is there when the variance inflation factor for the variable is greater than the cutoff 10. As indicated in the following table the variance inflation factor for each independent variable is less than 10. This implies the absence of multicollinearity between independent variables.

TABLE 2: MULTICOLLINEARITY TEST

Variable	VIF	1/VIF
IL	1.77	0.565031
TM	1.43	0.697355
MTR	1.37	0.731319
EL	1.33	0.753892
TF	1.29	0.778106
CTC	1.06	0.947368
Mean VIF	1.37	

Source: STATA 10

8.1.3. HETTROSCHEDASTICIY TEST

This tests whether the variance of the errors from a regression dependent on the values of of the independent variables in that case hetroschedasticity present. To test the hetroschedasticity the researcher used the breuch-pgan test developed in 1979 by trevor breauch and Adrian pagan. In this test hetroschedasticity is assumed when the test statistics has a p-value below an appropriate threshold (p-value of 0.05). as it is shown in the following table the test statistic p-value is greater than that of the appropriate threshold p-value. This tells us the absence of hetroschedasticity.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of te
chi2(1) = 2.20
Prob > chi2 = 0.1382

8.2. REGRESSION RESULT

TABLE 3: REGRESSION RESULT

Logistic regression Number of obs = 240 LR chi2(6) = 205.99 Prob > chi2 = 0.0000 Log likelihood = -56.280488 Pseudo R2 = 0.6467					
TE |	Coef.	Std. Err.	z	P>|z|	[95% Conf. Interval]
IL |	-.8670591	.2210848	-3.92	0.000***	-1.300377 -.4337408
MTR	.4147584	.1577197	2.63	0.009***	.1056336.7238833
TM |	-1.181988	.2233357	-5.29	0.000***	-1.619718 -.7442582
TF |	-.3689077	.2083631	-1.77	0.077*	-.777292.0394765
LE |	-.9586519	.2716258	-3.53	0.000***	-1.491029 -.4262751
CTC	-.1703876	.1635864	-1.04	0.298	-.4910112.1502359
cons	10.13405	2.147728	4.72	0.000	5.924577 14.34351

Source: STATA 10

As reflected in the above table the regression result with the coefficient of determination (pseudo R^2) of 0.6467 shows that 64.67% of changes in tax evasion is determined by the independent variables viz. Income Level (IL), Marginal Tax Rate (MTR), Tax Moral(TM), Tax Fairness (TF), Enforcement of Low (LE), and Competence of Tax Collectors (CTC). Only 35.33% is influenced by extraneous variables (εv) or error term. The likelihood ratio chi-square of 205.99 with a p-value of 0.0000 shows that the model as a whole is statistically significant. This implies the fitness of the model. The coefficient of the variable reflects by how much the independent variable affects the dependent variable.

The results of the study in table 4 above shows that level of income, marginal tax rate, tax moral, tax fairness, and enforcement of law are statistically significant factor in determining the level of tax evasion. However, competency of tax collectors is an insignificant factor in determining tax evasion. The result of this study regarding to the level of income as a determinant of tax evasion is significant and negative. This implies that as the level of income for tax payers goes up the level of evasion practiced by the payer is lower. The result supports the study of Muzainah Mansor, and Zakariya'u Gurama (2016), Johns and Slemrod, 2008; Alm et al. (1992).

Regarding to the relationship between marginal tax rate and tax evasion the study found that positive and significant. This means that as marginal tax rate increased for the payer the probability to evade tax is also high. The result is consistent with the study of Clotfelter (1983) and Mason and Calvin (1984). However, Feinstein (1991) and Christian and Gupta (1993) found a negative association between marginal tax rate and tax evasion.

The result of the study regarding to tax moral as a determinant of tax evasion is negative and significant. Which means that; as taxpayers have a good moral for paying tax the probability to participate in evasion is lower. The result supports the study of Spicer (1974), Spicer and Lundstedt (1976) and Tittle (1980), Torgler (2003a), Riahi-Belkaoui (2004).

The study found tax fairness as a significant and negative factor in determining tax evasion. When the tax system is fair and equitable the level of evasion by taxpayer is reduced. This result is consistent with the findings of Spicer (1974) ; Song and Yarbrough (1978) ; Hite and Roberts (1992).

The findings of the study regarding to the level of enforcement by low is significant and negative. This reflects that when the level of enforcement by low is high effective the probability that the payer to evade tax is too low. The study founds the competence of tax collectors in their profession to influence tax evasion insignificant.

9. FINDINGS

Based on the data presented analyzed and interpreted the study found that different economical, psychological, and institutional factors significantly influence the level of tax evasion.

The level of income, marginal tax rate, tax moral, tax fairness, and enforcement of law are statistically significant factor in determining the level of tax evasion. However, competency of tax collectors is an insignificant factor in determining tax evasion.

10. RECOMMENDATIONS

Based on the findings above, the researcher forwards the following recommendations:

- To collect the expected amount of tax from the taxpayers the tax assessors should assess based on the level of income / the ability to pay of taxpayers elsewhere to shift the tax burden taxpayers may design strategies for evading it.
- For fairness and equity, the revenue authority should recruit tax assessors who respect for their job and who can perform their task with impartiality. Behind that the assessment method should be reasonable in terms of different considerations i.e. market location, market share and so on.
- To reduce the level of evasion by taxpayers the government should have a strict heavy penalty and enforce those taxpayers to pay within a given time period.

11. CONCLUSION

Tax evasion problem is a serious problem all over the world in general and in the case area in particular. Based on the analysis the study concludes that the level of tax evasion is determined by the level of income of taxpayers, the marginal tax rate, tax moral, tax fairness and equity, and the level of enforcement by law. The study found the relationship between the level of income, tax moral, tax fairness, and the level of enforcement by law negative and significant. The study also found marginal tax rate positively related with tax evasion significantly.

12. LIMITATION OF STUDY

In order to conduct this study, it's required to Obtain necessary information from sample category "c" taxpayers. Some respondents were not interested to provide that information's due to be secured. Some of them they fill information's carelessly and not fully answered necessary questions. Besides it was challenging when getting the documented information's for each taxpayers from ERCA Adet branch due to the absence of what I required from them. It was not easy to obtain the documented information even. This consumes more time to seriously follow up and gathering targeted data's.

13. SCOPE FOR FURTHER RESEARCH

This study basically focused on the determinants of tax evasion in category "C" taxpayers. The data were gathered from ERCA of Adet branch employees and category "C" taxpayers in Adet town. While it was difficult to cover the whole categories of taxpayers the study was delimited to category "C" taxpayers of Adet town and office of ERCA Adet branch. In this area further researchers can address the taxpayers' attitude towards evasion arising from the political disorder and instability.

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APPENDIX

Logistic regression

Number of obs	=	240
LR chi2(6)	=	205.99
Prob > chi2	=	0.0000
Log likelihood = -56.280488	Pseudo R2	=	0.6467

te	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
li	-.8670591	.2210848	-3.92	0.000	-1.300377	-.4337408
mtr	.4147584	.1577197	2.63	0.009	.1056336	.7238833
tm	-1.181988	.2233357	-5.29	0.000	-1.619718	-.7442582
tf	-.3689077	.2083631	-1.77	0.077	-.777292	.0394765
le	-.9586519	.2716258	-3.53	0.000	-1.491029	-.4262751
ctc	-.1703876	.1635864	-1.04	0.298	-.4910112	.1502359
_cons	10.13405	2.147728	4.72	0.000	5.924577	14.34351

. vif

Variable	VIF	1/VIF
le	1.77	0.565031
tm	1.43	0.697355
mtr	1.37	0.731319
li	1.33	0.753892
tf	1.29	0.778106
ctc	1.06	0.947368
Mean VIF	1.37	

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of te

chi2(1) = 2.20
Prob > chi2 = 0.1382

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of te

chi2(1) = 2.20
Prob > chi2 = 0.1382

HUMAN RESOURCE MANAGEMENT PRACTICES IN A CO-OPERATIVE BANKS: A CASE STUDY ON SHRI RAJKOT DISTRICT CO-OPERATIVE BANK

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ANAND

ABSTRACT

This research has provided discussion of Human Resource Management practices of Rajkot District Co-operative bank. It primarily focused on opinion of employees on Human Resource Management practices, programmes and the impact of such Human Resource Management practices on organizational performance. The purpose was to importantly evaluate the perceptions of employees on Human Resource Management practices and establish the impact of properly managing human resources on organizational performance. The job satisfaction dimensions of pay and benefits, work place values and performance appraisal facilities are positively. The management should ensure bank employees the annual review process is transparent and employees' performance is responsible for increment and promotion. Human resource management especially in banking sector examined manpower planning, recruitment, appointment, induction, confirmation, training, performance appraisal, transfer and promotion. In a banking sector there are good working environment with team work basic need. Recent trends in bank has to hire skilled employee, available technical support and proper utilization of sources including manpower.

KEYWORDS
Shri Rajkot district co-operative bank limited, human resource management practices, employees satisfaction level.

JEL CODES
O15, J24, J25, J28.

INTRODUCTION

Human: Refer to the skilled workforce in the organization. Resource: Refer to limited availability or scarce. Management: Refer to maximize or proper utilization and make best use of limited and a scarce resource. Co-operative Banks: Co-operation is derived from the Latin word "**Co-operari**", '**Co'** means "**with**" and '**operari'** means "**to work**". Hence co-operation means **Working Together** with others for a common purpose. **C. R. Fay, 1904** define Cooperation "A co-operative society is an association for the purpose of joint trading, originating among the weak, and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards in proportion to the degree in which they make use of their association".

REVIEW OF LITERATURE

Muhammad Maqsood Khalid (2014), "HRM Practices and employee performance in public sector organizations in Pakistan: An Empirical study": this research paper undertakes the analysis of declining performance in Pakistani public sector organizations. The survey was conducted to examine the implementation of HR practices and determine their relationship employees 'performance efficiency in organization.

Vikram Jeet (2014) "A Study of HRM Practices and its Impact on Employees job Satisfaction in Private Sector Banks: A Case Study of HDFC Bank": In this paper undertake current business environment organizations are facing some challenges in form of acquisition and optimization of human resource. The success of an organization depends upon several factors but the most of the affects the organization performance is its employee. In the study, the HRM practice dependent Training, Performance Appraisal, Team Work and Compensation has significant impact on job satisfaction.

Dr. R. Madhesh (2014) "Human Resource Management Practices in Primary Agriculture Co-operative Credit Societies (PACCS) in Tamil Nadu: Issues and Challenges": In this paper focuses on the Human Resource Management practices in Primary Agricultural Co-operative Credit Societies in Tamil Nadu. Recently, the study of HRM practices has shifted from studying individual practices and their influence on organizational performance to studying the entire HRM system. This clearly establishes that employees of Primary Agricultural Co-operative Credit Societies play a vital role in managing not only the 'transaction' of a customer but also future long-term relationship with them. This paper discusses about Human Resource Management practices which play a vital role in increasing firms' performance.

DEVELOPMENT OF SHRI RAJKOT DISTRICT CO-OPERATIVE BANK LIMITED

After India's independence in 1947, 217 princely states of Kathiawar, including the former kingdom of Junagadh, were merged to form the state of Saurashtra on 15 February 1948.

Initially, it was named United State of Kathiawar which was renamed to Saurashtra State in November 1948. The exercise took up a lot of Shri SARDAR Vallabhbhai Patel's time to convince the local princes and petty subas (totalling 222 in Saurashtra alone).

The capital of Saurashtra State was Rajkot. Uchharangray Navalshankar Dhebar, who became Saurashtra's first Chief Minister. He was succeeded by Rasiklal Umedchand Parikh on 19 December 1954.

To cater Banking need of the Saurashtra State, An Apex Bank was form in 1951. It was named as "The Saurashtra State Co-Operative Bank ltd." was registered on 15/10/1951 under the Saurashtra State Co-operative Act, vide Reg. No:15/10/51 dated 15/10/1951 and commence banking business on 04/05/1952 and continue till 1959.This Bank was functioning as an Apex Bank of Saurashtra, representing entire Saurashtra State i.e. Rajkot, Jamnagar, Junagadh, Surendranagar, Bhavnagar, Kutchh, having 73 branch office in entire SAURASHTRA STATE.

REORGANISATION OF BANK

The Registrar, Cooperative, Bombay State, held two meeting of the committee consisting of the representative of Central cooperative Financing Institutes, working in the state, the first meeting was held at PUNE on 06/05/1957 and second meeting at Bombay on 27/05/1957 – The Idea/ Purpose of the meeting is "One State, And One Apex Bank As Well As One District, One Central Co-Operative Bank" was born in this meeting.

As a result of the meeting, It was accepted that Central cooperative bank be established on the District Basis on or after 31/12/1957 in the Bombay state.

As a result of these reorganization activities, "The Saurashtra State Co-Operative Bank ltd." is ceased to exist as a Apex Bank Of Saurashtra State and new Central Co-operative Bank named as "The Rajkot District Central Cooperative Bank Ltd." was borne on 15/05/1959, vide registration no: 24940 dated 15/05/1959 and having 9 branches in the Rajkot District area. The other remaining branches of the Saurashtra State co-operative Bank Ltd. is transferred / amalgamated to other respective district of central co-operative bank.

FEATURES OF CO-OPERATIVES

Co-operation is a special method of doing business. It has the following features:

1. AN ASSOCIATION OF PERSONS

A Co-operative Society comes into existence when a group of individuals join hand and form an association.

2. AN ENTERPRISE OR UNDERTAKING

Co-operation lays stress on ethical standard and it is basically an enterprise. It is run by members themselves at their own cost and risk.

3. VOLUNTARY ASSOCIATION

An individual is free to join the Society and resign from his membership of the Society at his will and discretion.

4. SERVICE OBJECTIVE

The main object of co-operative society is to serve its members rather than to earn Profits.

5. DEMOCRATIC MANAGEMENT

The Co-operative Society follows the cardinal principle of democracy i.e, one man one vote. The affairs are handled by the Board of Directors. The capital does not get any special treatment over human being in co-operation.

6. EQUITY

No discrimination among members is made on the grounds of religious faith, political Ideology, and educational qualifications and so on.

7. NORMS OF SOCIAL JUSTICE

There is no class division among capitalists and working class in Co-operation.

8. A PART OF SOCIO-ECONOMIC MOVEMENT

The Co-operative movement is viewed as a constituent part of the overall socioeconomic movement of the country.

9. IT IS BASED ON PROPORTIONALITY OR EQUALITY

The surplus is distributed not according to share taken but according to the proportion of business operation a member has effected with the society.

10. IT IS A UNIVERSAL MOVEMENT FOUND IN ALL COUNTRIES OF THE WORLD.

ELEMENTS OF HUMAN RESOURCE MANAGEMENT

Professional management is essential for any banking system and hence RBI insists on it. But on many occasions the state government dissolves the elected boards of cooperative institutions and deputes government officials to manage the affairs of the banks. As the government officials do not possess adequate expertise in banking, the efficiency of the cooperative bank's suffered.7 the political interferences in the activities of cooperative institutions are another drawback for the absence of good governance.

RECRUITMENT AND SELECTION

Recruitment provides the opportunity to cater to changing needs of people by either repositioning current employees or injecting fresh blood into the organizational element.

There are three modes of recruitment in the Rajkot Nagarik Sahakari Co-operative Bank, namely.

• By direct recruitment.
• By taking persons on group of representatives from sister Co-operative institutions.
• By promotion.

The main source of recruitment is through the State Employment Exchange which receives a restricted distribution. Thus, in the want of a wide publicity of available posts, the service in Shri Rajkot District Co-operative bank is easily available to the persons known to the top and middle executives. Internal promotion can be a good practice if merit is not sacrificed.

TRAINING AND DEVELOPMENT

With the significant increase in the complexity and size of service, especially in view of the task undertaken by the Shri Rajkot District Co-operative bank for the socio-economic development in urban, semi-urban and rural areas, the need of the training has been greatly felt. The outcome of the training to any type of organization includes increased productivity of employees, improved morale, reduced supervision, and increased organizational stability and flexibility. Shri Rajkot District Co-operative bank provides training for many reasons.

1. To teach the employees perform in their initial job assignment.
2. To prepare employees for future promotions or for upcoming changes in design, processes and technology in their present jobs.

The operational structure and administrative set-up established for training of personnel in Shri Rajkot District Co-operative bank in Rajkot is inter co-ordinate and divided as, senior, middle level and junior staff. The State Co-operative Unions, and the District Level Unions, the top organizations are responsible for making sufficient arrangements for co-operative training. The major problems found in Shri Rajkot District Co-operative bank are: need of knowledge of funds management resulting in acceptance of high cost deposits and there is position in low return uses.

PERFORMANCE APPRAISAL

Performance appraisal is a systematic approach to tracking individual performance against the targeted objectives of the organization and identifying strength and opportunities for improvement. In Shri Rajkot District Co-operative bank, the appraisal is not implemented seriously for permanent employees. All the employees are in favors of introduction of performance appraisal though there is no systematic appraisal followed, right now.

PROMOTION

The upward mobility in an organization brings about positive change in the status, responsibility and monetary benefits of an employee. As per co-operative bank rules in force, provisions have been made for promotion of the employees, by their seniority only. No organization has been able to attract and retain key people in the long-run by throwing money at them. Once the employees are promoted to higher levels, improvement of their competencies is an urgent need. Employees' competencies are the knowledge, skills, abilities, personality and characteristics that serve as the foundation for employees' behavior. Competencies are a foundational drive of employees as well as organization success because they only represent potential employees' performance.

COMPENSATION

One of the most important issues before the Shri Rajkot District Co-operative bank in Rajkot is variable compensation. The salary structure of Shri Rajkot District Co-operative bank is different for the same cadre and salary structure of Shri Rajkot District Co-operative bank, is not standardized all over the state. Thus, seniority has accounted for the compensation administration.

EMPLOYER - EMPLOYEE RELATIONSHIP

A pleasant employer-employee relationship is essential for the effective functioning of the Shri Rajkot District Co-operative bank. Since Co-operative organizations consist of groups of human beings, each of whom is activated by changeable motives, no co-operative administration can fulfill its obligation if it is not supported entirely by the employee at all levels. The challenge for the Shri Rajkot District Co-operative bank is to encourage people to set free their power of thinking and apply it to their daily work. The government should always encourage the employees to bring out their fullest talent for the success of the institution. Simple encouragement to generate new ideas is not enough. When people make genuine attempts to implement their ideas and fail, they need to be encouraged to try further. Otherwise, they will never bother to think and try again; they will just follow their mangers. Success can only be achieved if staff feel they are being treated correctly by the concern and fully understand the objectives and rational for their achievement.

STATEMENT OF THE PROBLEM

Here in this statement **"HRM Practices in Cooperative Bank: A Case Study on Shri Rajkot District Co-operative bank"** study only concern with the cooperative bank as well as only research on Shri Rajkot District Co-operative bank limited.

OBJECTIVES OF THE STUDY

Specifically, the following objectives have been framed to assess the HRM practices in a cooperative bank in a Rajkot District Co-Operative Bank:-

- To study about the present HR Practices.
- To study the growth and HRM practices of a Rajkot District Co-Operative Bank in the head office.
- To study the recruitment process, promotion process, induction process, training process, Recognition policy, financial compensation of Rajkot District Co-Operative Bank.
- To analyze the employee's satisfaction level related to the bank.

NATURE OF THE STUDY

It is an empirical research. The number of managers is managing the human resource management and practices. So, the study is undertaken on the basis of adequate sample size 100 questionnaire bank managers discussed in sampling design and size also.

TYPE OF THE RESEARCH

This case study is very popular form of qualitative analysis and involves a careful and complete observation of a HR department in Rajkot District Co-Operative Bank, be that HR department entire group of people. It is a case study in depth rather than size. The case study HR department more importance on the full analysis of a limited number of events and their interrelations. The case study deals of Rajkot District Co-Operative Bank with the processes that take HR department and their interrelationship. Thus, case study is essentially an intensive investigation of the particular one HR department under consideration. The object of this case study is to locate the factors that account for the behavior and performance patterns of the given HR department as an integrated totality.

SAMPLE DESIGN

Researcher has selected one cooperative bank "Shri Rajkot District Co-operative Bank Limited" and sample size 100 taken by the researcher because bank HR department have small staff.

SOURCE OF THE DATA

The present study is both descriptive and analytical and uses primary data. Data pertaining to history and growth of the organization, membership pattern, recruitment of resources and operation of resources, organizational structure, employees profile, recruitment, selection, training, placement, promotion, salary structure, other HRM functions and the business performance were elicited from the books and records maintained by the sample banks. All the permanent employees i.e., 100 employees working in head office were selected as respondents for the study. The perception of the employees was studied by using a structured questionnaire interview schedule. Further, organizational atmosphere of the bank was also analyzed.

TOOLS AND TECHNIQUES

For the purpose of calculation of data collected by the researcher whether the primary some tools have been used by the researcher and use conbach's alpha calculation of statistical techniques.

CRITERIA FOR IDENTIFY RAJKOT DISTRICT CO-OPERATIVE BANK FOR CASE STUDY

Cronbach's Alpha (α) using SPSS Statistics

Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when you have multiple Likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable. If you are concerned with inter-rater reliability, we also have a guide on using Cohen's (κ) kappa that you might find useful.

A researcher has devised a 52-questions questionnaire to measure how safe people feel at work at an industrial complex. Each question was a 5-point Likert item from "strongly disagree" to "strongly agree". In order to understand whether the questions in this questionnaire all reliably measure the same latent variable (feeling of safety) (so a Likert scale could be constructed), a Cronbach's alpha was run on a sample size of 30 workers.

SPSS Statistics Output for Cronbach's Alpha

SPSS Statistics produces many different tables. Here analysis as per the some randomly selected some question. The first important table is the **Reliability Statistics** table that provides the actual value for **Cronbach's alpha for bank having provided opportunities to the employees**, as shown below:

1) ANALYSIS TO GIVE OPPORTUNITIES TO THE EMPLOYEES BY THE BANK

TABLE NO. 1: RELIABILITY STATISTICS

Cronbach's Alpha[a]	Cronbach's Alpha Based on Standardized Items'	N of Items
-1.528	-1.775	6

(**Source:** Computed by SPSS)

From, we can see that Cronbach's alpha is **-1.528**, which indicates a high level of internal consistency for our scale with this specific sample.

TABLE NO. 2: SCALE STATISTICS

Mean	Variance	Std. Deviation	N of Items
20.67	3.816	1.953	6

(**Source:** Computed by SPSS)

Here the above table shows that as per the calculation by SPSS **mean score** of the total questions is **20.67, variance 3.816** and **standard deviation 1.953**.

2) ANALYSIS OF EMPLOYEES EVALUATION AND UPGRADATION LEVEL

TABLE NO. 3: RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.558	.560	3

(**Source:** Computed by SPSS)

From, we can see that Cronbach's alpha is.**558**, which indicates a high level of internal consistency for our scale with this specific sample.

TABLE NO. 4: SCALE STATISTICS

Mean	Variance	Std. Deviation	N of Items
9.97	7.620	2.760	3

(**Source:** Computed by SPSS)

Here the above table shows that as per the calculation by SPSS **mean score** of the total questions is **9.97, variance 7.620** and **standard deviation 2.760**.

3) ANALYSIS OF FINANCIAL COMPENSATION

TABLE NO. 5: RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.588	.581	4

(**Source:** Computed by SPSS)

From, we can see that Cronbach's alpha is.**588**, which indicates a high level of internal consistency for our scale with this specific sample.

TABLE NO. 6: SCALE STATISTICS

Mean	Variance	Std. Deviation	N of Items
27.53	24.602	4.960	8

(**Source:** Computed by SPSS)

Here the above table shows that as per the calculation by SPSS **mean score** of the total questions is **27.53, variance 24.602** and **standard deviation 4.960**.

4) ANALYSIS OF SOCIAL RELATIONS WITH A BANK

TABLE NO. 7: RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.731	.733	6

(**Source:** Computed by SPSS)

From, we can see that Cronbach's alpha is.**731**, which indicates a high level of internal consistency for our scale with this specific sample.

TABLE NO. 8: SCALE STATISTICS

Mean	Variance	Std. Deviation	N of Items
20.53	20.395	4.516	6

(**Source:** Computed by SPSS)

Here the above table shows that as per the calculation by SPSS **mean score** of the total questions is **20.53, variance 20.395** and **standard deviation 4.516**.

5) ANALYSIS OF RECRUITMENT ON THE BASIS OF MERIT AND EDUCATION

TABLE NO. 9: RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.449	.448	16

(**Source:** Computed by SPSS)

From, we can see that Cronbach's alpha is.**731**, which indicates a high level of internal consistency for our scale with this specific sample.

TABLE NO. 10: SCALE STATISTICS

Mean	Variance	Std. Deviation	N of Items
55.60	38.248	6.185	16

(**Source:** Computed by SPSS)

Here the above table shows that as per the calculation by SPSS **mean score** of the total questions is **55.60, variance 38.248** and **standard deviation 6.185**.

RESEARCH FINDINGS

HRM Practices are a continuous process. It may some different kinds of processes are available in recruitment process, training process, induction process, promotion process, Recognition policy and financial compensation. In HR department employees had a very important think study by the researcher that as a review of employees bank had been given time to time payment. All employees are taken financially facilities provide by the Rajkot District Co-Operative Bank. Rajkot District Co-Operative Bank had been providing proper organization place to the employees. Recruitment process had been strictly based on merit and education. Rajkot District Co-Operative Bank had been after recruitment provides a good training to the employees. As per the questionnaire and analysis of Rajkot District Co-Operative Bank to the all employees' are take facilities like training programs, workshop and seminar, develop the skill and also provide career growth. Rajkot District Co-Operative Bank provides bonus, salary increments, incentives are due to in time. All most vice president is very satisfied with Rajkot District Co-Operative Bank HRM practices. All employees are satisfied with six HRM practices but they have want to some changes in bank.

SUGGESTIONS

1. The working environment conditions like supervisor, manager, vice president and employees' leadership, relations with collogues; span of control should be properly communicated for the smooth functioning of the bank.
2. A standardized performance appraisal system should be developed which should be same for all positions.
3. Head of the HR department suggestions should be encouraged. Employees would be given chance to participate in workshop as well as seminars, to discuss to give some suggestions and their views.
4. Performance appraisal should be further discussed with the employees and employees should be given chance for improvement.

CONCLUSION

This research has provided discussion of HRM practices of Rajkot District Co-operative Bank in cooperative banks. It primarily focused on perception of employees on HRM practices, and programmes and the impact of such HRM practices on organizational performance. The purpose was to importantly evaluate the perceptions of employees on HRM practices and establish the impact of properly managing human resources on organizational performance. The job satisfaction dimensions of pay and benefits, work place values and performance appraisal facilities are positively. The management should ensure bank employees the annual review process is transparent and employee's performance is responsible for increment and promotion.

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