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Message

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With best wishes to all

Dr. P. S. Bhadouria

ENSURING QUALITY IN SURVEY RESEARCH

Gopi K Khanal[1]

ABSTRACT

This descripto-analytical paper on ensuring quality in survey research discusses the management of errors in administering survey. This paper aims to help the social science researchers to ensure the quality in the process and outcomes of survey research. It begins with the brief conceptual underpinnings of survey research, discusses about reliability and validity tests in survey, elaborates the notion of total survey error approach, and suggests some measures on handling survey errors. Given the wider applications and substantial costs associated with survey research, the issues of sampling and non-sampling errors have always been major concerns in the quality of survey research. Survey research can be instrumental in generating knowledge provided survey errors are handled properly. Though a variety of measures are in practices to ensure quality of survey data, this paper gives importance on total survey approach that gives emphasis on total quality management in the collection, analysis, and interpretation of data. Dealing survey data from the perspective of total survey approach would yield fruitful results from survey research.

Key words: *survey research, total survey errors, reliability, and validity*

Introduction

Understanding the notion of research and its philosophy is fundamental to ensure the quality of data in any sort of research approach including survey. In the most general sense, research is searching of knowledge and truth. Creswell (2013) defines research as a systematic process of asking a question, collecting data to answer the question, and presenting an answer to the question (p. 3). As such, survey research constitutes three elements: (i) the question; (ii) the research process; and (iii) the answer (Creswell, 2013). Generally, we undertake research when (i) we have a question to answer; (ii) we need to acquire knowledge; and (iii) we want to extend our understanding of the social world (Matthews & Ross, 2010, p. 7). We undertake survey to acquire knowledge and truth in order to extend our understanding of social world. Research involves the application of scientific methods in searching for the truth. Survey, in this sense, is approach of scientific enquiry for searching such truth (Zikmund, Babin, Carr, Adhikari, & Griffin, 2013)

Among many, the three most useful purposes research are the exploration, description, and explanation of a research phenomenon (Babbie, 2005, p. 115). He added exploratory studies are carried out to satisfy the researcher's curiosity and desire for better understanding,

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to know the feasibility of conducting such research for further knowledge, and to develop the appropriate methods to be devised in any subsequent studies. Descriptive research describes the situations and events deliberately and carefully on a very systematic manner. Explanatory research, on the other hand, explains things. Descriptive studies answer the questions of what, where, when, and how; explanatory inquiry answers the question of how (Babbie, 2005). Testing hypotheses is the common approach to explain thing in this type of research.

Resolving the confusions over the terms "methods" and "methodology" is also important to describing the nature of survey research. Nouveau researchers often mistakenly use these terms interchangeably. Research methods are the tools and techniques the researchers employ to collect data, such as questionnaires, interviews, or focus-group discussion (Dawson, 2007, p. 15). Methodology is broader than methods but these two concepts are interrelated in each other. Research methodology is an overall roadmap of research, which consists of philosophy, assumptions, strategy, constraints, and so on (Schensul, 2008). It is the methodology that guides whether to take survey methods or not.

The journey of research endeavour begins with philosophical assumptions. The structure of research methodology and selection of research methods are determined largely by the philosophical positions of the researchers. Researchers may have different philosophical standpoints regarding the nature of reality. As such, understanding the philosophical constructs such as ontology and epistemology are extremely important to delve into the survey methodology (Saunders, Lewis, & Thornhill, 2009, p. 116). Ontology is philosophical assumptions of the researchers about the nature of social realities (Spencer, Pryce, & Walsh, 2014). Those who believe in objectivism assert that social phenomena and their meanings have an existence that is independent of social actors (Bryman, 2012). The constructivists, on the other, hold beliefs that social phenomena and their meanings are dynamic in nature and are accomplished by social actors. Epistemology is concerned with the creation of knowledge.

Depending on the ontological positions, researchers may have different epistemological positions. Interpretivists contend that knowledge should be derived from everyday and meanings. Interpretivists usually follow qualitative inquiry. Positivists follow quantitative approach of social science research. However, in recent years, there are growing influences of pragmatists in research who do not believe in dogmatisms. They rather seek rational and optimal use of both qualitative and quantitative approaches. The pragmatists employ mixed-methods research.

Survey research is a systematic set of methods to collect information for generating knowledge that is aimed at helping to make a decision (Lavrakas, 2008). Survey method is used for collecting data to acquire knowledge about people and their thoughts and behaviour. Survey is administered to collect primary data through self-administered questionnaires and a

survey interview. Survey should not be confused with census (Baker, Singleton, & Veit, 2011). Census is carried out to gather the information from all members of population of interests whereas survey can be undertaken to extract the information from a sample of the population (ibid). Generally, survey is undertaken to probe the opinions, trends, beliefs, perceptions, attitudes, behaviours, or characteristics about a current issue from a large group of people (Lodico, Spaulding, & Voegtle, 2010). Grooves et al. (2009) have identified some defining feature of survey methods. First, survey research is conducted to produce quantitative descriptors of some aspects of population. Second, survey collects the data by using predefined structured questionnaires where each and every individual is asked more or less the same questions. Third, survey gathers information from the sample in such as way that it will help to generalize findings to the larger population.

A wide variety of survey methods are in practice in social science research. Stoop and Harrison (2012) have classified the survey on the basis of target population (who), survey topic (what), survey agency (by whom), and survey mode (how), surveying time (when), location (where), and survey purpose (why) (p. 11). The target populations of the survey could be the businesses, households, individuals, or days and journeys. In a household survey a responsible adult of the household can become the key informant. In an individual survey the individuals themselves can furnish the information. Survey could be administered on specific topics and the topics can be anything. The scope of the survey can be local, regional, national, and international. Survey can be longitudinal or cross-sectional (Court, 2010). Cross-sectional survey is carried out only once and longitudinal surveys may take different time horizon incorporating the changes overtime (Shanaban, 2010). The focus of trend studies is on factors rather than people. These factors are studied over time by drawing the sample on each stage of data collection (Cohen, Manion, & Morrison, 2011, p. 267). The main purpose of trend studies is to examine the trends in population that are new each year but have similar experiences at different time intervals.

Handling Errors in Survey Research

The paradigm of total survey approach aims to maximize the quality of survey data within the budgetary and timeliness constraints. While seeking to optimize the survey quality, this approach minutely takes care on each and every stage of survey design and its processes. The objective here is to ensure the quality in design, collection, processing, editing, analysis, and interpretation of survey data by making maximum efforts to reduce the sources of errors during design, implementation, and evaluation of survey. Total survey approach divides the survey processes into different sequential parts, such as design, collection, and interpretation, makes efforts to minimise the errors in these parts (Groves et al. , 2009; Weisberg, 2005; Moy & Murphey, 2016). The tasks of detecting all sources of errors and reducing them for achieving survey accuracy are the hallmarks of total survey paradigm. A survey error occurs when there is a deviation of a survey estimate from its

underlying true value. Due to survey errors, outcome derived from sample data do not represent the underlying true parameter of population.

Contrary to traditional survey approach that focuses on detecting and reducing the sampling errors, total survey paradigm gives emphasis on reducing both the sampling and non-sampling errors (Lohr, 2008). It recognizes multiple sources of survey errors. These errors can occur from sampling frame, sampling process, interview, interviewers, interviewees, missing data, data coding, data editing, data analysis, data interpretation, and so on. However, total survey approach focuses on identifying and reducing these errors to the extent possible within the limits of costs and timeliness allocated for survey. In other words, this approach attempts to optimally allocate the survey resources while minimising the total survey errors. Its sole goal is to enhance the overall quality of survey outcomes. While discussing about the survey quality, we should see it from the perspectives of both the user and producers survey data. Producer may place high priority in the quality in survey design with particular focus on high response rate, larger sample size, and /or good coverage. The users, on the other hand, are more interested in accessibility, usability, timely deliver, clarity, reliability and validity of survey data.

For Juran and Gryna (1980), quality means freedom from deficiencies and responsiveness to user's needs. Optimizing these attributed is fundamental to ensure total survey quality. Taking multidimensionality of quality into account, total survey quality involves quality from both the producer and user perspectives within the survey budget and schedule. Among other, the common attributes of total survey quality consist of minimum survey errors, trustworthiness of data, usability of data, comparability of data, richness of data to satisfy the analysis of objectives, and accuracy of data (Biemer, 2020, p. 818).

Survey research is subject to several sampling and non-sampling errors. Errors are unavoidable in scientific research. Tracking these errors and their proper management are fundamental in ensuring survey quality. That is why, in recent years, the notion of total survey approach has become popular in handling the sampling and non-sapling errors in survey (Weisberg, 2005). The first step in managing the survey error is to reduce the sampling errors. Due to time and cost constraints and some pragmatic reasons, researchers are bound to take sample for the study of the population. In some cases, it is nearly impossible to collect data from entire population. Consequently, social researchers are constantly in need of utilising scientific sampling. However, journey of scientific sampling is not an easy task due to sampling errors.

From the perspective of survey research, error is the deviation between obtained values from the samples and the true values lying in the population (Weisberg, 2005). These errors consist of both the sampling and non-sampling error. Sampling error is the most well known source of error in surveys. Sampling errors occur when the sample of the population rather than the entire population is surveyed to collect information. In survey, the researchers

collect data, analyse them, interpret them, and infer about the population on the basis sample data. Sampling errors consist of two components: sampling bias and sampling variance. Variance and bias are the two building blocs of sampling errors. Sampling bias occurs when the sampling process systematically gives no probability of selection to some members of the population or gives a disproportionately small or large probability of selection to some members (Bautista, 2012)

One of the strategies to reduce the sampling errors is to apply the data weighting and analysis techniques. Because the survey research, in general, draws conclusions from samples, it is imperative that sample represents the actual population. For instance, we know that municipal population in Nepal is about 42 per cent. If we are conducting the perception survey on the quality of governance in urban and rural area and find only the 14 per cent respondents from municipality, we need to adjust the data by applying some type of weighting. Weighting is technique of making artificial but systematic adjustments to the data so that the data better represent the population from which the sample was drawn (Crosby, DiClemente, & Salazar, 2006, p. 391). One should be cautious to apply the weighting as it yields the artificial inflation of sample size (n) and that the making interpretation in absolute number rather than in percentage would be misleading. There are different methods of data weighting. Post-stratification weights are the most commonly applied weighting techniques in survey research (Heeringa, West, & Berglund, 2010).

Sampling errors can also be figured out with the support of standard error and margin of error. Standard error is the statistical tools to measure the accuracy of correspondence between sample and population. The smaller the standard error, the more representative the sample will be of the overall population. Standard error has also an inverse relationship with the sample size. Larger sample size means smaller standard error. Standard error is applied after collecting the data and margin of error is used at beginning of survey. Margin of error expresses the maximum expected difference between actual population and parameter and a sample estimate of that parameter. For the normally distributed data, a margin of error is calculated by two ways (Zikmund, Babin, Carr, Adhikari, & Griffin, 2013):

Margin of error = Critical value ×standard deviation of statistics

Margin of error = Critical value ×standard error of statistics

The critical value in margin of error is either the t-score or Z score. As a general rule of thumb, we use a t-score if the sample size is less than 30 and use z score for the sample size larger than 30.

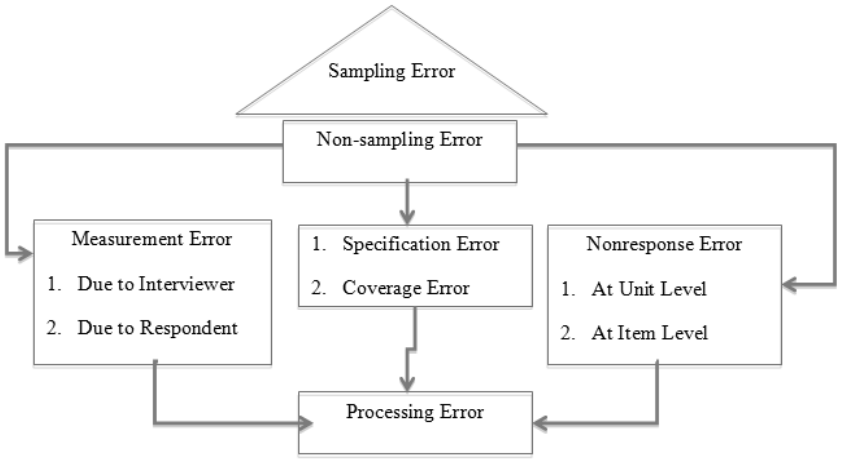

Figure 1: Total Survey Error

Besides sampling errors, survey consists of non-sampling errors such as coverage errors, specification errors, measurement errors, and post-survey errors. Coverage error occurs when the list from which the sample is taken does not correspond to the population of interest. Specification errors occur when the wrong survey question is used to measure the concept of interest. Many factors cause non-sampling errors. For instance, many researchers assume that once the responders agree on responding the questionnaires, they will respond honestly. In reality, research participants may not respond honestly in each item. In many circumstances, they may not be willing to share their inner feelings, attitudes, behaviours, and opinions to researchers. As a result, researcher may arrive in false conclusion. Gideon (2012) claims that non-sampling errors comprise about 95 per cent of the total sampling error (p. 5). Non-sampling errors arrive from a multitude of sources and these errors tend be more complex. One of the sources of non-sampling error is response error that arises when the research participants provide wrong information. As illustrated by Gideon, (2012), Figure 2 shows the different sources of total survey errors.

Non-response error is related to respondent selection (Biemer & Lyberg, 2003). When the designated respondents do not participate in survey this will result in unit-non-response error. Error can occur at item level that will undermine the accuracy of response. Non-response error occurs when some survey respondents do not respond to the survey or to certain item in the survey, resulting in biased estimates. Unit non-response error usually occurs when the participating respondents skip some of the questions. This type of error creates difficulties to researcher on how to deal with the missing item in data analysis (Biemer, 2010). Issues of accuracy of response also arise due to measurement errors. Measurement errors occur when the measure obtained is not an accurate measure of what was to be measured. Measurement errors happen when survey interviewers and /or respondents do not interpret, administer, or react to the questions in the survey as intended in survey design. Processing errors occurs at

post-survey phase. These errors happen while coding, tabulating, and processing the survey data (Moy & Murphey, 2016). As shown in Figure 1, the sampling error is only the tip of iceberg and key challenges in handing the survey error lie with non-sampling error. Many researchers focus much on the sampling errors, which can be minimised by increasing the number, samples. Intensive efforts are required to reduce the non-sampling errors.

Reducing the measurement errors in survey begins with writing the good questions and developing good questionnaires. There is little consensus among the experts on what constitutes a good question in survey (Alwin & Beattie, 2016). Many scholars and social scientists have made efforts to codify the key attributes of good questions (ibid). Payne (1951) suggested that questions should not exceed more than 20 words (p. 136). Flowler (1992) argued for short and simple survey questions. Quality of survey also depends on respondents' comprehension of the question. Longer and complex questions may reduce comprehensions. Alwin and Beattie (2016) asserted that measurement error is likely to increase if a question is ambiguous in meaning. They also found that there are declining levels of reliability for questions with greater number of words. Their findings suggest keeping questions as short as possible without undermining the survey objectives. In a study, Holbrook, Young, and Timothy, (2006) found that length of the question was related to both comprehension problems and mapping problems.

Non-response has been the prominent issues in survey research as it has huge implications on the quality and cost of the survey. Non-response in survey not only creates biasness in survey results but also increases survey costs. It also brings greater complexities in design, implementation, and data analysis of survey (Peytchev, 2013). A response rate is unbiased when all the members of survey respond to all questions. However, a response rate of 100 percent may not happen in survey resulting in non-response bias. There is no hard fast rule to reduce the non-response errors in surveys (Singer, Groves, & Corning, 1999). Gouldener (1960) suggested following principle of reciprocation in survey design. He asserted that people are willing to comply with the request to the extent that it constitutes reciprocal benefits like perceived gifts, favour, or concession in return. According to Bickman (1971), compliance of survey could be increased with authority, as people are more likely to comply with a request if it comes from properly constituted authority. Festinger (1962) contended that the respondents are more willing to comply with a survey request to the extent that they believe that similar others would comply with it. Mazis (1975) suggested that people are more willing to comply with requests to secure opportunities that are scarce. Providing proper incentives could be a strategy to increase the quality of response in survey (Toepoel, 2012; Petrolia & Bhattacharjee, 2009; Sanchez-Fernandez, Munoz-eiva, Montro-Rios, & Ibanez-Zapata, 2010).

Handling the missing data is another issue in the management of non-sampling errors in survey research. One of the effective methods to manage the missing data is the imputation.

Imputation involves the replacement of missing values with substituted values (Cornelius & Harrington, 2014). A common imputation method is to use the mean of the sample for any one question or item as the substitute value for missing responses. Short surveys are likely to have better compliance than the long survey, as the lengthy surveys are prone to missing data. As such, it is necessary to balance the survey length against the increased risk of missing data (Crosby, DiClemente, & Salazar, 2006, p. 384).

In an interviewer-administered survey research, the results could be affected by the interviewer bias. The way the interviewer administers the interview can affect the responses, which in turn can affect the research outcomes. There are very little empirical evidences on the relationship between demographic characteristics of interviewer, such as gender and ethnicity, and survey results. However, having a trained interviewer is extremely important to reduce interviewer bias (Groves et al. 2009). Providing the training to interviewers is significant to reduce the level of interviewer bias.

Ensuring Reliability and Validity in Survey Research

Reliability and validity are two important constructs to ensuring quality of survey outcomes. They are important indicators of quality of survey instruments (Kimberlin & Winterstein, 2008). In simple parlance, reliability is consistency of measuring tools while producing the results. Reliability instruments are devised evaluate the stability of measures by administering a test at two different points in time to the same individuals and determining the strength of associations of the two sets of scores.(Kimberlin & Winterstein, 2008). A survey measure is reliable when it produces consistent scores while taking two alternative forms of the measures or when he or she takes same measure on two or more different occasions (Dessler & Varkkey, 2009, p. 215). Reliability assesses the degree to which survey results and conclusions extracted from a survey research would be reproduced if the surveys were administered again (Ward & Street, 2010). Reliability aims to minimize bias and errors in the collection and interpretation of survey data in such a way that similar results and conclusions would be reached if the research were carried out again (ibid). From the standpoint of survey research, reliability means consistency and authenticity in survey response (Knapp, 2008). Reliability coefficients rage from .000 to 1, with higher the coefficient more the levels of reliability.

Since sampling is the main approach of data collection in survey, this method of research is subject to a wide range of sampling and non-sampling errors. Reducing these errors are fundamental in ensuring the reliability and validity in survey. There are several ways to improve the reliability of survey results. For instance, we can increase the reliability by clearly conceptualizing the constructs. We can do so when each measure indicates one and only one concept (Neuman, 2014, p. 213). We can improve reliability with the support of pilot studies and replication.

Cronbach's alpha is one of most popular tools to assess the reliability of items on survey questionnaires. Cronbach's alpha measures the extent to which the item in a measurement instrument is related. Cronbach's alpha is a function of the average inter-correlation of items and the number of items in the scale. Its maximum value is 1 and value closer to 1 reflects the stronger relationship among the test items (Rossi, Wright, & Anderson, 1983). Alpha value over .7 is acceptable. However, value over .8 is preferable (Morgan, Gloeckner, Leech, & Barrett, 2011). Another measure to administer reliability test is test-retest test that measures the similarity of scores at two different times.

Reliability, while indispensible, only tells that the scores shown by the measures are consistent. It, however, does not guarantee that it is measuring the right things. Validity is the key warrant for researchers in assessing whether the research is good or not. While conducting survey, the researchers are interested in the extent to which the survey measures what it is intended to measure (Etchegaray, Wayne, & Fischer, 2010).

While discussing about the reliability and validity in survey research the researcher should have clarity on the relative importance of reliability and validity. Reliability of measures is instrumental in accomplishing the validity; it is necessary that reliability would lead to validity. Hogan and Agnello (2004) contend that validity has supremacy over reliability. It makes little sense to focus on the consistency of the scale if the said scale produces inaccurate results (Barry, Chaney, Pizza-Gardener, & Chavarria, 2014).

The next component that determines the quality of survey instrument is validity. Validity is about accuracy of results derived from survey data (Newby, 2014). Validity asks question: are we measuring what we want to measure? A measure is valid if it can measure what it is supposed to measure. We can achieve reliability without validity, but not vice versa. Validity adds quality in research. By validity, we mean that a research study, its parts, the conclusions drawn, and the applications based on it can be of high or low quality (Onwuegbuzie & Johnson, 2006). Reliability is necessary but it does not meet sufficient conditions for validity. Reliability is concerned with replicability but validity focused on accuracy of results (Golafshani, 2003).

Broadly, validity can be grouped into internal and external validity (see Figure 2). Internal validity is about having reliable architecture of research design so that we can avoid false conclusion. According to Cohen, Manion, & Morrison (2011), internal validity seeks to demonstrate that the explanation of a particular event, issue, or set of data, which a piece of research provides, can actually be sustained by the data (p. 183). Internal validity is the gateway to external validity. Zohrabi (2013) has suggested to adopt a bunch of measures to maintain the internal validity such as triangulation by collecting data through different sources, checking the results and interpretations from different members, long-term observations on findings, peer examination of results, participatory methods of research,

assessment of degree of usefulness of the findings from different stakeholders, and other (p. 261).

External validity is about the application of research results found in a specific setting to a wide range of settings. In survey research, external validity concerns on the generalization from a sample to a population. Mostly, the notion of external validity is applicable to experiment research. The main concern of external validity is the transferability of findings (ibid). Given the huge costs associated with survey ensuring the external validity is extremely important in the management of survey. However, external validity relies in the strength of internal validity.

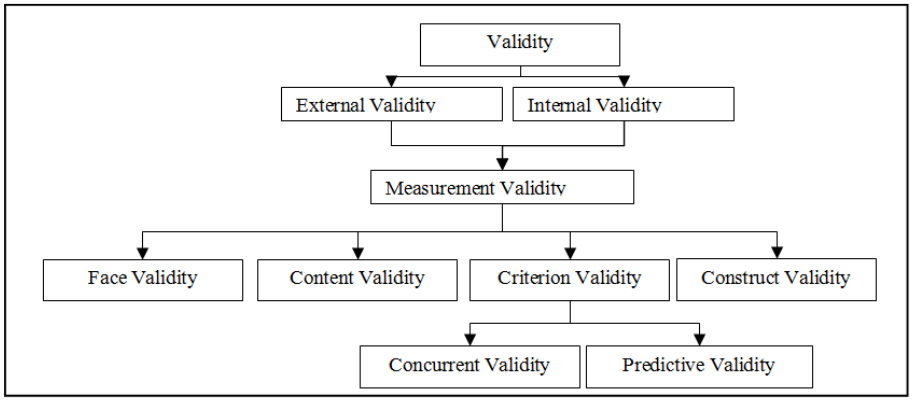

Figure 2. Different types of validity

There are different aspects of validity in survey research such as content validity, criterion validity, and/or construct validity. Criterion validity is closely related to theory. There are two types of criterion validity: predictive validity and concurrent validity. Predictive validity refers to whether or not the measurement instruments we are employing predict the results we would theoretically expect (Muijs, 2004). Concurrent validity on the other hand relies on the pre-existing and already accepted measure to verify the indicator of a construct (Neuman, 2014). According to Vanderstoep & Johnston (2009), construct validity refers to the extent to which the measure is on target to measure the construct being studies (p. 60). For example, an honesty test has high construct validity if the scores achieved on honesty test really measure what the researcher believe is 'honest'. An instrument has high construct validity if there is close association between the 'construct' it is supposed to measure and the results or observations derived with the instrument. We can improve the construct validity by measuring multiple constructs in the surveys that will provide initial evidence for validity. Statistical tests such as confirmatory factor analysis could also be applied to test to gather more evidence of construct validity (Etchegaray, Wayne, & Fischer,

2010). Content validity addresses how well sample of survey items developed to operationalize a construct adequately cover or represent the construct. (Kimberlin & Winterstein, 2008, p. 2279). It focuses on whether the survey contains items that are relevant to the main constructs. Since there are no any robust statistical tools to measure the content validity, expert judgement is the best approach to assess such validity.

Conclusion

In recent years, survey research has become one of the most widely used research methods in social science inquiry. However, there are also growing concerns about the quality of survey. The classic approach to handle this issue by making efforts to reduce the sample errors has not been sufficient. The more concerns have been raised in the management of non-sapling errors. One of the most widely discussed approaches in the management of survey errors is the total survey approach, which focuses on total quality management in survey. This approach focuses of reducing all types of errors in every stages of survey research.

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METHODOLOGICAL ASPECTS OF DEVELOPMENT OF QUALITY MANAGEMENT SYSTEM IN AN INDUSTRIAL PLANT AS A BASIS FOR INCREASING ITS COMPETITIVENESS

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ABSTRACT

This article outlines the main methodological approaches to assessing the development of quality management at the industrial enterprise and competitiveness. According to the results of the study developed an integrated approach to quality management. This approach involves, on the one hand, consideration of the effect of all components of the development and the technological chain of production, and on the other - the quality management function. In the article approach to the quality management systems are considered complex, as well as evidence-based guidelines are designed to ensure compliance with each other's economic interest's subjects of business, participate in the formation and development of the quality system.

Keywords : *quality management, the company's competitiveness, quality control methods, regional characteristics of quality management, certification, standardization, quality of service.*

Introduction

In order to enhance the competitiveness of enterprises, the maximum satisfaction of the requirements and expectations of customers, as well as the expansion of localization of production (production of import-substituting products), now enterprises of the Republic of Uzbekistan applies a strategic decision to develop and implement a Quality Management System (QMS) according to the international standard ISO 9001 version 2008 year. The Law "On Conformity Assessment" adopted in 2013 serves as an important guideline in this direction, on the basis of which the program of development of national quality infrastructure calculated up to 2020 was adopted. It was stressed that more than 100 modern international product testing methods have been mastered and registered in the "Uzstandard" agency over the past 2 years. As a following point of development, industrial enterprises of the republic have implemented QMS, conforming to international standards. At the event, domestic producers shared their experience in implementing QMS in the production and progress

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achieved in this sphere; they have expressed their views and proposals on procedures for the implementation of QMS. Within the conference a seminar on "The quality and competitiveness of products - an independent transition to the new version of ISO 9001: 2015" was organized at the support of the German Society for International Cooperation (GIZ).

The participants discussed the new requirements of ISO 9001: 2015 to the construction of strategic management, the establishment of criteria in key business processes, implementation of effective communications, and reviewed the concept of management based on risk management and performance measurement mechanisms. While maintaining an effective quality management system is crucial to the sustainable development of industrial enterprises in the conditions of influence on them of external factors. The transformation of the concept of quality management processes iodine influence in the world economy.

Currently, 1,976 production enterprises of Uzbekistan introduced quality management systems, corresponding to international standards. Over 1,865 enterprises received ISO 9001 certificates, 42 enterprises – ISO 14001 ecological management, 43 enterprises – ISO 22000 food safety management. Another 54 enterprises introduced labour protection management system OHSAS 18001, 24 companies introduced ISO/TS 16949 in automobile spheres, 34 enterprises – integrated system of management and three enterprises – management of pharmaceutical production. Number of certification bodies, conducting independent assessment, is increasing in Uzbekistan. Number of registered certification bodies rose from two in 2004 to 27 companies today. About 18 of them have national accreditation and nine – national and international accreditation.

In a globalizing world economy and the integration of economic ties, a significant increase in the requirements for the development strategy of market actors, focused on ensuring the competitiveness of the national and international markets, the fundamental transformation of consumer values of special importance total quality management, which achieves the necessary level of quality of goods and services unity with the ongoing process to improve it. The problem of quality reflects the requirements of scientific and technological progress, so that the quality system in modern society are becoming an integral part of the philosophy of any production, covering all stages of activity from design to disposal.

Inappropriate represented attempts to consider the quality problems and seek ways to resolve them only on the technological and production field, we must remember that quality problems are the fundamental determinant of the system of social policy, the basis of the business strategy and development of the economy in the new century.

In a free market, integration of production and services in the international community the quality of work and services is directly dependent on their competitiveness and become a key challenge for economic development. In this regard, issues of scientific-methodological

and legislative and legal foundations of quality, as well as the training of highly qualified specialists in this field, considered a priority in the development of a new economic policy.

The historical experience of the United States, Japan, Germany, Korea and other countries has shown that ensuring progress in the field of quality through the application of effective management systems is one of the main levers with which they could overcome the crisis in the economy and to take a strong position on the world market.

Literature review

It is vivid that Uzbekistan's economy advanced 7.8 percent year-on-year in January-September of 2016 compared to 8 percent growth in the same period. Most of the sectors expanded at a slower pace while making relevant changes as an industrial production (+7.2 percent from +7.3 percent in the same period of 2015); services (+12.4 percent from +12.9 percent); construction (+15 percent from +18.7 percent); agriculture (+6.4 percent from +6.6 percent) and retail sales (+14.2 percent from +15 percent).

GDP Annual Growth Rate in Uzbekistan averaged 8.03 percent from 2006 until 2016, reaching an all-time high of 9.80 percent in the third quarter of 2007 and a record low of 3.60 percent in the first quarter of 2006. GDP Annual Growth Rate in Uzbekistan is reported by the The State Committee of the Republic of Uzbekistan on Statistics.

In Uzbekistan, the study on the development **of quality management system in industrial plants** is a relatively new area, and therefore the first attempts to study the problem there were made. The achieved results of scientists of the national school, such as S.Gulyamov, B.Khodiev, M.Boltabaev, Sh.Zaynutdinov, Y.Abdullaev, A.M. Kadyrov and others are of great importance for the study of the development **of quality management system** of industrial enterprises of Uzbekistan. It provides a basis for further research in the direction of improving the methodological basis for the analysis of development **of quality management system** of industrial enterprises.

The state of quality management system in Uzbekistan.

Attention to quality issues in Uzbekistan is increasing with the deepening of the country's integration into the world economy. For the economy of Uzbekistan, with his usual number of unresolved social and economic problems of the transition period, requiring further structural reforms while ensuring the competitiveness of individual economic entities and the national economy as a whole, the need to develop and implement the concept of quality management is of particular importance. In order to further improve the competitiveness of domestic products and services on domestic and foreign markets, the export potential of the republic hobbies Cabinet of Ministers issued a decree №349 of July 22, 2004 "On measures for the implementation of enterprise quality management systems that meet international standards."

In furtherance of this decision in August 2006 by the Government of the Republic adopted a resolution number 183 "On additional measures for the implementation of enterprise quality management systems that meet international standards." In order to further expand the introduction to enterprises of the Republic of quality management systems that meet international standards, improving the competitiveness of domestic enterprises produced products and services, increasing the export potential of the enterprises and the introduction of the republic of quality management systems that meet international standards, June 19, 2009 the Cabinet of Ministers adopted the Decree №173 "On additional measures to improve the implementation of the enterprises of the Republic of quality management systems that meet international standards.

"The regulation provides the introduction to 1 January 2011 277 enterprises and organizations of the republic of quality management systems that meet international standards and exploring the possibility of introducing quality management systems for another 952 companies, as well as a number of benefits for companies that have implemented a quality management system conforming to international standards. Comments to G1KM Uzbekistan №173 from 19.06.2009. Provision of services for the implementation of quality management systems that meet international standards, engaged in consulting companies. The Registry Agency "Uzstandard" made 34 consulting firms for various activities. List of consulting companies on implementing QMS.

Certification of quality management systems is carried out by certification bodies accredited in the prescribed manner by the National Accreditation System. As at 01.09.2013,in State Register 25 accredited certification bodies of quality management systems.

An integrated approach to quality management. This approach involves, on the one hand, consideration of the effect of all components of the development and the technological chain of production, and on the other - the quality management function. The quality system shall act on a large number of factors at all stages of the product life labor.

Conclusion

Proceeding from the above, we formulate the main provisions of systems based on quality management awareness of senior management to improve the quality objectives of the enterprise as a business purpose; special obligations managerial personnel of the company's management; concentration of efforts of senior management in creating business strategy, based on the satisfaction of consumer needs; participation in the task of ensuring the quality of staff vseh_ hierarchical levels; teamwork and responsibility of managers; quality control at all stages of the product life cycle; systematic training of all employees; Quality Engineering; continuous improvement of all processes that affect quality; application of new methods and technologies to ensure quality; employee motivation for high-quality work; activities should

be structured, divided into processes, operations, transitions; each subsequent unit should be regarded as a consumer; awareness of staff, that the purpose of the processes - is the fulfillment of the requirements and demands of consumers; securing the wishes of consumers as the standard quality;

careful consideration of the cost of deviations from quality; focus on preventive measures to prevent the deviation of quality; concentration of efforts of senior management in creating business strategy, based on the formation of the modern culture of the organization.

You must be fully aware that in the current conditions, the quality is a fundamental, vital and subject to general study area of knowledge which extends substantially wider and goes far deeper than the information contained in the legal normativnotehnicheskih documents motivational and stimulating techniques that quality has an area of modern activities, with extensive scope research a wide range of experts.

The implementation of quality systems to meet modern international standards significantly improves the ratio of "quality-price", allows you to develop and implement a qualitatively new methods and approaches in management theory and practice, among which - the optimization and engineering of business processes, complex diagnostics and improving the management system motivating staff, operational risk management, and others.

Formation of the Quality Management System (QMS) in the domestic industrial enterprises is a factor of a clear definition of organizational and economic processes in order to optimize and improve their efficiency; minimization of costs in the production of products (services); a prerequisite to enter into contractual arrangements with domestic and foreign customers; creating a positive image of the company; a prerequisite for participation in international tenders and others.

All this contributes to the realization of their competitive advantages in the domestic and foreign markets, increases the degree of diversification of exports, ensures the effectiveness of socio-economic, institutional, scientific and technological development strategy in the emerging post-industrial relations system.

The introduction of the enterprise of international standards ISO 9000 and 14000 provides high motivoemkost of staff, redistribution of managerial responsibility between the owners of processes, flexibility and adaptability of the management system, due to greater self-regulating system and a natural focus on the consumer, and the dynamism of its internal proccec, the possibility of a deep complex automation. The modern concept of enterprise management is the principle of management through quality, which puts in first place the needs of the customer and allows the company to achieve competitive advantages in all fields.

In the process of decision-making in assessing the quality of products and services are widely used expert methods, which can be characterized as a method to make judgments,

using the information and intuition of specialists (experts). Intensive use of expert methods due to the increasing complexity of the tasks which have to make a decision, and insufficient information necessary to solve these problems by computational methods.

A man and a good group of people are able to decide under uncertainty different problems that do not allow a clear mathematical formulation. At the same time the expert methods have advantages such as simplicity and availability.

Recommendations

Naturally, if the quality assessment can be used reliably calculated or instrumental methods, they should be given preference over expertise. Questions peer review are set out quite fully not only in literature but also in the regulatory documents.

After analyzing the performance of product quality in domestic engineering can observe volatility and instability of the positive dynamics of indicators of quality, that is, there is a problem for the regular maintenance of the established quality.

There are two ways of solving the problem of quality improvement: strategic and tactical.

A strategic way to improve quality involves the introduction of new technology and equipment, improve the quality of staff, etc. Today, consumers pay attention to such indicators as certificates of products, availability of safeguards obligations, the presence of the possibility of assessing the quality of the goods under certain conditions, the possibility of an uninterrupted supply of high-qualitygoods.

According to experts, the appearance of defective products it has to be disposed of, which in turn leads to an increase in losses incurred each time incurred by marriage. That's why there is a need for a natural delivery reliable and quality products. In connection with the advent of this need and created a special standard QS 9000 is based on the international standard ISO 9000. However, these standards given the characteristics of each sector of the economy put strict requirements of the quality system for the supplying company.

Tactical path includes the improvement of the existing rules, directly improving the quality of a particular process, etc. As an example we can take the rate increase "OK Rate" (figure showing the flow of goods manufactured by a line of finished products from the first time).

Records show that many cars are produced through a workshop to address the identified defects. This in turn increases the cost of the plant to go to eliminate the detected defects. Types of costs, leaving the maintenance of the quality, of course, are linked, so an increase in one of them can change the ratio between them. Value types of expenditure in the outgoing quality assurance reflects the priority to ensure proper quality of products in the company, ie, It shows how the company's policy is to ensure the quality of products.

The plant for the production of cars, "GM Uzbekistan" just getting better cost-accounting system to improve the quality and therefore can not yet give precise data on the type of expenditure to improve the quality of products "GM Uzbekistan". But on the basis of studies we can provide data on the ratio of generic types of expenses.

Table 1 : **The ratio of cost of quality assurance -_____**

Types of costs to ensure quality	**The share of total expenditure on quality, in%**
Expenses for the removal of internal defects	20-40
Expenses for the removal of external defects	10-20
Spending quality assessment	10-50
Spending on preventing the emergence of marriage	1-5

We believe that the ratio of types of expenditures aimed at ensuring the quality of the level of development of production and other factors should be as follows:

Table 2 The recommended ratio of the cost of quality assurance

Types of costs to ensure quality	**The share of total expenditure on quality, in%**
Expenses for the removal of internal defects	**-30**
Expenses for the removal of external defects	**-10**
Spending quality assessment	**-40**
Spending on preventing the emergence of marriage	**-20**

Do you think the increase in the cost of preventing the emergence of marriage give an opportunity to reduce expenditures.

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INVESTMENTS – THE MAIN SOURCE OF FINANCING ECONOMIC MODERNIZATION, CASE OF UZBEKISTAN

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ABSTRACT

This article describes a role of investment activities in the process of economic modernization on the examples of certain countries. In particular, investments are considered as a major source of modernization in Uzbekistan. On this way, the major points are conducted while studying the experience of BRICS, were offered scientific conclusions and practical recommendations of its using in national economy.

Keywords : *process of economy modernization, economic growth, economy modernization, investments, BRICS, catching model.*

Introduction

In the global practice economy, modernization is considered as a primary stage during the transition to an innovative way of development. At the turn of 21st century, most of the developed and developing countries of the world switched to an innovative way of development during the modernization. Among them, the experience of BRICS member countries in modernization was highly interesting and valuable.

Three models of national economic modernization are distinguished in the world practice:[1]

Revolution model is used to initiate changes and provide development, mostly in new technological fields and activities not only for country but for the economy at all.

Organic model is used when a particular country as a result of evolutionary development, almost without the intervention of the state, provides the appearance and growth of the most advanced sectors (Abdukarimov B.A, 2013).

Catching model is used when due to efforts on the state economy of the country passes its way in a historically short period.

When the catching model is implemented, the purpose of the state is not to command the process of modernization but to regulate.

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[1]Nikologorskiy D. Modernization as a Stage of Development // Economist 2010 No. 6 p.25

In order to choose one model, the country which is undergoing modernization must consider specific conditions. In international practice, many successful modernizations were implemented and each of them was realized in defined period from 10 to 25 years. It should be noticed, that in every type of modernization driving forces need to be powerful to make a process continuous and economic growth stable. Investments are considered as one of the most important driving forces. As international experience shows, investments – the main source of financing economic modernization(Ajwad et al., 2014).

Background of study

The process of economic modernization must be implemented step by step. First step is to reach developed countries and exceed them in GDP rate. An increase in the rate of accumulation allows moving to the second stage – equalizing the volume of accumulation per capita. Solving the task of production modernization is connected with GDP growth, which is linked with an increasing of an absolute value of gross savings and GDP rate, used on gross.[1]

The majority of countries with transitional economy is implementing modernization programs, Uzbekistan is realizing catching model of economy modernization as well(Akimov & Dollery, 2006).

President of the Uzbekistan Republic in his speech on the meeting of The Cabinet of Ministers in 2016 mentioned that "The main orientation for us must be continuous technological and technical refreshment of production and constant search for internal funds, realizing deep structural reforms in economy, modernization and diversification of industries"[2].

Traditional policy of catching development implies accomplishment of special functions by the state, which are making possible overcoming of the gap with more developed countries. The processes of structural and qualitative update of the world trade and market infrastructure are happening only through the investments.[3]

The high investments amount during the long period as noticed in countries which were forced to implement modernization, restructuring of economy, in order to make it competitive, during the extended periods, high level of investments were observed. In postwar Europe, the rate of accumulation was not less than 25% and 30% in Japan until 1970s.[4]

In Uzbekistan, the main indicators of investment activities development show the constant increase in accumulation of the main capital on account of attraction and familiarization of

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[2]Karimov I.A. Our main purpose – deepen on going reforms and structural changes in the economy, provide accelerated development of private property, enterprises and small business T. 2016. p. 73
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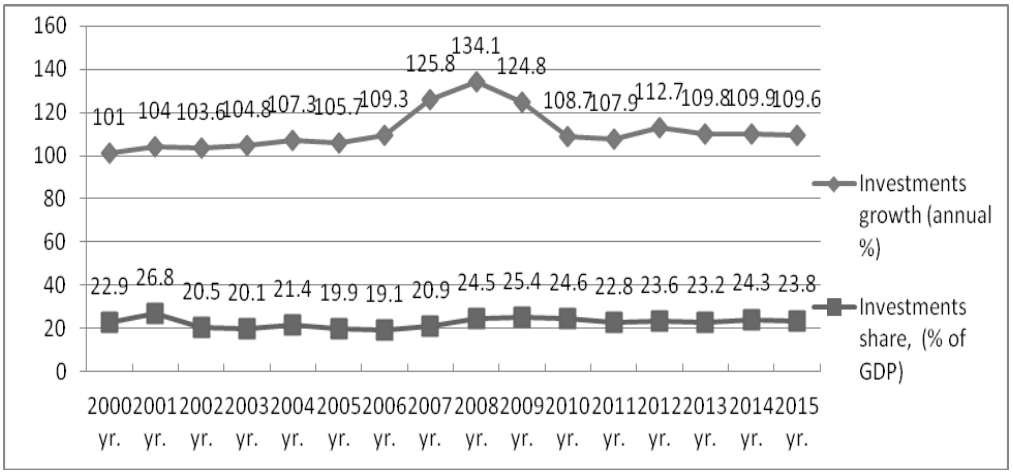
internal and external investments. The rate of main capital accumulation in recent years was about 23-24% to GDP. During 2000-2015 years amount of the investments had increased for 4,5 times with an average growth equals to 111,1%. However, in some years increasing of investments was 124-134%, which corresponds to the average temps of growth in fast developing countries, for example in China and India. (pic. 1.)

1 pic. Dynamics of investment processes from 2000 to 2015 years.



As a pic.1 shows the growth of investment activities in Uzbekistan in 2000-2015 years was caused by phased realization of measures and directed on expansion of export and replacement of import, creation of new industries and large structure-defined manufactures, it provided deep structural diversification of economy, allowed to fill internal market with modern qualitative products of domestic production, significantly increased total output of the final production. Investments growth mostly was on account of increase in investment activities of organizations and population, credits of commercial banks and out of budget funds and attracting foreign investments. Share of centralized investments decreased in 2015 year comparing with its level in 2000 to 33,6 percentage point (Pulatov, 2009).

The government was taking different policies in order to increase effectiveness of governmental investments through the strict limits regarding its directions and usage control. Governmental investments were mostly directed on building entities of social infrastructure, as a result it was reflected on high indicators of social development in country, especially on dynamics of rural social infrastructure development. Improvement of institutional sources in order to attract private foreign investments, total enhancement of formal environment reflected on dynamics of decentralized investments. Decentralized

investment's proportion in recent years was nearly 80% from the overall investments to the economy[1].

In recent decade tools for enlargement resource base in real economy were widely involved, which were supported by actions to accelerate the processes of modernization, technical and technological rearmament of strategically important productions, in the period of manufacturers' investment activities.

From the side of Uzbekistan government, the raw of normative acts dedicated to modernization process in real sector of economy starting from 2006. With implementation of these normative acts, the real sector of Uzbek economy started to be financed by investments in more wide-ranging format.

Currently, 43% of the world population lives in BRICS countries and they are considered as the most populated countries in the World. According to OECD forecast, China and India which belong to BRICS, in 2060 year will form 46% of the world GDP, which exceeds the total contribution of USA, Japan and European zone states.[2]

BRICS countries have real prerequisites to achieve significant results in modernization processes on the basis of selected national priorities and agreed socio-economic development. These prerequisites include continued high intellectual, scientific and technological and educational potential, high level of availability of natural resources, favorable geostrategic position.[3]

BRICS members differentiate by big economies and significant regional and in some cases even global influence, all five counties are G-20 members. Nevertheless, economic growth of BRICS countries has noticeably slowed down: South Africa experienced increase only for 1% in 2015 comparing to 1,6% in average in period from 1994 to 2009 years, in Brazil seen the worst decline from 1930s, economy of Russia is in recession which is caused by decrease in prices for oil and sanctions, and slowdown of China became a brake for economic growth in the world and, as it reports, growth in country in 2016 will be the slowest for last 5 years. Only India, because of conducted reforms, in last years experiences high growth rates – 7-8% per year.[4]

In addition to the reduction of direct investment in developed countries, an important trend in the global investment becomes growth capital flight from developing countries. Also, gradually gaining momentum processes of mergers and acquisitions (M & A), at the same

[1] Trends of Socio-Economic Development of Uzbekistan (2000-2013 гг.) T: IFMR, 2014, p.13
[2] Hayfec B. Roadmap of Investment Cooperation between the BRICS Countries // World Economy and International Relations, 2013, №6, p.19
[3] http://ukros.ru/wp-content/uploads/2016/04/БРИКС_2016_22_марта.pdf
[4] http://www.ereport.ru/articles/ecunions/brics.htm

time new investment projects that traditionally make up the majority of foreign investment to lose in value and quantitative expression.[1]

At the the distribution of the world's investment, it should be noted in 2015 for developing and transition economies have managed to attract more than half of the world's FDI.[2] A considerable part of them was sent to the BRICS countries. (Table 1.)

Table 1. Foreign direct investment, net inflows (BoP, current billion US$)[3]

	2000	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brasil	32,9	19,4	44,6	50,7	31,5	88,4	101,1	86,6	69,2	96,9	75,1
Russian Federation	2,7	37,6	55,9	74,8	36,6	43,2	55,1	50,6	69,2	22,0	4,8
India	3,6	20,0	25,2	43,4	35,6	27,4	36,5	24,0	28,1	33,9	44,2
China	42,1	133,3	156,2	171,5	131,0	243,7	280,1	241,2	290,9	268,1	249,9
South Africa	1,0	0,6	6,6	9,9	7,6	3,7	4,1	4,6	8,2	5,8	1,6
Overall	82,3	210,9	288,5	350,3	242,3	406,4	476,9	407	465,6	426,7	375,6

During the past decade, indicators of innovation have improved markedly for Brazil, Russia, India, China, and South Africa (BRICS). Investment in education and research has strengthened the knowledge bases of these countries. Thanks to their endowment of well-trained but low-cost scientists and engineers, Brazil, China, and India are currently considered among the top 10 destinations for multinational companies to expand their foreign research and development (R&D) activities (Santos-Paulino,Squicciarini, and Fan 2014).

Since the mid-1990s, all BRICS have significantly strengthened their patent protection; as a result, inflows of foreign direct investment (FDI) have increased substantially (Park and Lippoldt 2008). This increase in FDI has been particularly beneficial for technology transfers in specific sectors in each country, such as aircraft technology in Brazil; chemicals, pharmaceuticals, and electronics in Russia; software technology in India; and

[1] Bobrova V., Protasov K. Foreign direct investments in BRICS countries // World Economy and International Relations, 2013, №2, p.26
[2] World investment report 2015: Reforming international Investment Governance P. 21
[3] http://data.worldbank.org/ World Development Indicators

telecommunications, medicine, and aerospace in China. Although the BRICS are often treated as a group, there are striking differences among them.

For example, China now spends more than 2 percent of GDP on R&D and ranked first in the world with respect to the number of patent applications in 2013. Important challenges for China remain, however, for instance, with respect to the enforcement of intellectual property rights, the diffusion of technologies outside of high-tech parks, and the need for a more level playing field between state-owned enterprises and other firms. In the other BRICS, R&D spending is about 1 percent of GDP or less, and is mainly concentrated in the public sector. The main challenge for these countries is to promote private R&D. For instance, Brazil and South Africa could improve small firms' access to their R&D tax incentive schemes. In India and Russia, financing opportunities for innovative entrepreneurs are often lacking (a new program for financing start-up firms in India was just launched in January 2016). South Africa could improve its higher education system, and Russia its legal enforcement of intellectual property rights.[1]

In China, with the adoption of a national strategy in 1978 it began the process of modernization of the economy and society. In turn, the modernization required financial capital and technical - technological resources. It is clear that investment, particularly FDI are the main source of funding for modernization. The conductivity of the investment policy of the government in the country gradually improved the investment climate(Ames, Brown, Devarajan, Izquierdo, & others, 2001; Beatty & Ritter, 1986).

To improve the investment climate were created free economic zones, which benefited from a number of tax and customs benefits Currently, China – a country in the world with the largest volume of foreign investments in 2015 their volume reached 249,9 billion US dollars. and compared to 2000 increased by almost 6 times. The Chinese economy is mainly have put in investment by TNCs from Hong Kong, Japan, Singapore, Taiwan, United States, South Korea, Britain, Germany, France and the Netherlands, and they account for over 90% of the total FDI. Enterprises with foreign investments pay more attention to R & D expenditures. The share of R & D expenditure in GDP, China is at the forefront in the world. If in 2000, the amount of R & D expenses amounted to US $ PPP 32,6 billion. (1,3% of GDP), then in 2014 this figure reached 2% of GDP and amounted to 284,0 billion US dollars.

In India, in the early 70-ies of XX century program «growth with equity» was adopted, which included two important aspects:

I) the diversification of the national economy

[1] Fiscal monitor Acting now, Acting together // worldbank.org P.54

2) the transition to the political activity of the population. A feature of the Indian experience of reforms has been (and remains) the inextricable link between economic and socio-political aspects of the development of society.[1]

Some economists argue that many problems in India, including unbalanced economic growth, stem from the inability of the governing society of social and political forces to create a state development - the driving force of the forced social change. The main obstacle to the modernization of the Indian state, according to their logic, is extremely heterogeneous social structure, formed, in addition to professional groups of contemporary profile, a variety of religious, linguistic, caste and other distinctions.[2]

In India under "new economy policy", which was introduced in 90th the following directions were in prior:

1. Pairing economic growth with household efficiency;
2. Reducing the state's influence on economic development and the transfer of important functions in the market economy. Nevertheless, the state retained control over strategic industries.
3. "Open" Indian economy replaces the paradigm of the "import substitution industrialization" to "integration into the world economy"[3]

Special departments, such as Secretariat for Industrial Assistance, Foreign Investment Implementation Authority, and Foreign Investment Promotion Board were established with the aim of stimulation and facilitation of foreign direct investment to the Indian economy('Text of President Islam Karimov's Speech at the Joint Session of the Legislative Chamber and Senate of Uzbekistan's Oliy Majlis', 2014). The main purposes of the departments are accelerating the approval process of requests for foreign investors, as well as addressing various issues related to investment in the economy of country[4].

The corporate sector in general traditionally makes the greatest contribution to the formation of savings in South Africa's economy: in 2012, his savings were an amount equivalent to 13,9% of GDP, while household savings – only 1,7% of GDP. Transformation of corporate savings into investments in 2012-2013, prevented the existence of spare

[1] Volodin A. "Growth plus development", or Indian experiment of economic reforms // World Economy and International Relations, 2010, №10, p.91
[2] Nayar D.R. The Geopolitics of Globalization the Consequences for Development. New Delhi, 2005. P.217
[3] NayarD. Liberalization and Development. New Delhi, 2008. P.324
[4] http://lexandbusiness.ru/view-article.php?id=6797// The Investment Policy of the BRICS countries (on example of India nd China) (Nelikova K., Akhmadova M.)

capacity, there remains uncertainty about the demand in foreign markets and the strengthening of social tension in the country.[1]

At the end of 2012 in SAF was signed National Development Plan, which provides the following directions:

1. Implementation of the program of strengthening the competitiveness of the manufacturing industry, involving the allocation of earmarked funding for 2.3 billion rand;
2. Implementation of the Action Plan of industrial policy, including the projects of reconstruction and development of industries such as automotive, metallurgy, processing of agro products, manufacturing clothes, shoes, leather goods; encouraging the introduction of resource-saving technologies, as well as the deep processing of raw material;
3. Investment in infrastructure facilities totaling $ 827 billion. rand over three years;
4. Creation a network of free economic zones and industrial parks;
5. Simplification of tax procedures for small and medium businesses[2].

Brazil stands out for its character of natural and human resource potential among the countries of the world. Also, at the beginning of the XXI century, this country has become a leading in terms of economic growth and scientific and technological development in Latin America. In Brazil, due to the modernization strategy all the modern manufacturing industries were successfully adopted (Cottarelli, Griffiths, & Moghadam, 1998).

In particular, metallurgy, automobile, aviation, chemical and pharmaceutical industry and, by-turn, initial (investment) capital is also directed to the same industries. The investment climate of the economy of Brazil is associated with huge number natural resources of high significance, stable political environment, a competitive workforce and the development of infrastructure. In recent years, the inflow of investments in the Brazilian economy only increases. The growth of direct investments usually is executed mainly at the expense of new projects (greenfield investments) and it became a prerequisite for sustainable economic growth. Investments were directed mainly in the mining, processing industry and services sectors. The most attractive sectors were the oil and gas industry, metallurgy, food and chemical industries. Also, in attracting investments to high technology and research projects Brazil has become a regional center. It should be noted that Brazil is actively involved in cross-border investment flows and as an exporter of capital. At the same time, TNK receives

[1] Mozias P. Economy of SAR: easy life is not expected // World Economy and International Relations, 2015, №1, p.108

[2] South African Reserve Bank. Annual Economic Report 2013. https://www.resbank.co.za/Publications/detail-item-view/pages/ Publications.aspx?sarbweb

considerable support from the government that is interested in the internationalization of the Brazilian economy.

In Russia, the modernization of the economy first began in the late XX century. Over time, the concept of modernization was treated deeply: not only the increase of production, "butalso" the use of new techniques and technologies were under political discussion, and productivity capacity at a higher rate than in developed countries, to gradually catch up with them. At the beginning of the third stage of development of the post-Soviet growth rate and productivity fall. Today we need a new mechanism, the new institutional system. It wanted to go to the mechanism of the development, which will provide real modernization.[1]

The prospect of improved production (product-performance) is becoming an important factor, which considerably motivates investors to place enterprises and companies in Russia. The most favorable opportunities are in sectors with a minimum level of state intervention, where private companies can gain a competitive advantage through improved process of production. The Russian government began to take measures to create incentives for attracting new efficient production. These measures are aimed at the improvement of business environment and create a favorable climate for the development primarily the sectors, which involve high technology.[2]

The high dependence of the Russian economy from the investment activity level confirms the retrospective statistics. That is to say that in order to achieve growth rates in excess of 4%, in modern and equal conditions required rate of growth of investment in fixed assets is not less than 10% .[3]

To the main sectors can be assigned the traditional sphere of investment cooperation and, also, new types of productions, contributing to the modernization of the BRICS economies. Among them:

- Extraction, transportation and processing of hydrocarbons - oil, gas and coal;

- Traditional and low electric power and ensuring effective transfer

and electricity;

- Nuclear energy and related industries;

- Alternative energy, including biofuels;

[1] Akindinova N., Yasin E. New stage of economic development in post-Soviet Russia // Issues of Economics. 2015, №5, p.8

[2] http://www.ey.com/Publication/vwLUAssets/Russia-attractiveness-survey-2011-RU/$FILE/Russia-attractiveness-survey-2011-RU.pdf

[3] Ivanter V., Porfiryev B., Shirov A. Economic Growth and Economic Policy of Russia // ECO, 2014, №2, p.63.

- Production of chemical products for the agriculture;

- Automotive, railway engineering, shipbuilding, aviation

industry, agricultural machinery;

- Manufacture of pharmaceutical products and medical equipment;

- Related industries and the use of outer space;

-Defense industry;

- Agriculture, seafood production, food industry;

- Infrastructure freight and passenger transport;

- Tourism and recreational facilities and some druggy.[1]

From the above it can be summarized as a conclusion that in the conditions of modernization of the economy to attract investments into the fixed capital in high-tech industries that will be more effective.

Conclusion

The way of the development the conditions of modernization of the economy to attract investments into the fixed capital in high-tech industries that will be more effective. The essence of modernization lies in the concentration of savings and investment in the key sectors of the real sector, elected to the role of the driving forces behind it and the qualitative transformation of the entire economic system of the state. Moreover, the driving forces of modernization is investment and human resources. But in contrast to the traditional approach in terms of economic modernization, in addition to capital and labor required to find and activate the new factors and reserves growth. Therefore, the BRICS countries during the change from one socio-economic system to an innovative path of development, modernization of the economy is considered to be an important step. It uses a special model of modernization and taking into account the specific aspects of the national economy. In turn, this requires to raise the proportion of expenditure on R & D in GDP by at least 1.8 per cent by international standards. In addition, the decision of the modernization programs and the strategy paid particular attention to the structural transformation of the economy to sustainable growth, macroeconomic parameters, improving the country's business climate. Finally, share of utilized investments in fixed capital investment rate should be at least 25 percent of GDP. In addition, the technological structure of investment costs for the construction and equipment necessary to determine the coefficients, respectively replacement of fixed assets.

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A REVIEW PAPER ON EMOTIONAL INTELLIGENCE

Radhika Kothari[1]

ABSTRACT

The concept of emotional intelligence has picked up pace in past 10 years. Various studies have been conducted in various contexts to examine the impacts of emotional intelligence and also various effects of high and low emotional intelligence have been measured. The objective of this study were to critically review and examine the various dimensions of emotional intelligence. The article is conceptual in nature and reviews 19 papers and presents findings from the reviewed paper along with conclusion.

Introduction

It is the ability to know about, control, and express one's feelings, and to handle interpersonal connections prudently and sympathetically. It is viewed as essential for each person as it influences the basic leadership furthermore authority viability in the people. The paper surveys 19 articles inside and out and shows outline of explores which occurred in earlier years in measurement of emotional intelligence.

Review of Literature

Zainal, Nasurdin and Hoo (2011) expressed that Malaysia is confronting the cerebrum deplete wonder, scientists begin to pindown the issues of profession achievement in the spotlight. As a developing industry in Malaysia, lodging industry is in question if the issue of vocation achievement is not well study. By utilizing administrative level workers as the example, this study expected to comprehend the part of emotional intelligence in deciding vocation achievement. Utilizing a quantitative strategy, questionanires were planned as the examination instrument. The resuls was drawn from 267 reacts. By and large, this study inferred that emotional intelligence assumes a part as found by numerous previos scientists. In any case, this study discovered intriguing finding between the measurements of emotional intelligence and vocation achievement which was higlighted in the examination segment.

Mashinchi (2011) inspected the relationship of authoritative citizenship conduct (OCB) with emotional intelligence (EI) of the adherents. Authoritative citizenship conduct can be characterized as intentional and unconstrained practices that stretch out past workers' typical employment obligations. In other word, Organizational citizenship practices (OCB) describe activities in which representatives will go well beyond their recommended part necessities. An example of 57 dyads of chiefs and their bosses (i.e., 114 respondents) took part in this

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study. The reliabilities of the scales were .83 authoritative citizenship practices and .86 emotional intelligence. Emotional intelligence was fundamentally related to uprightness, municipal goodness, and charitable practices of adherents. The strategy proposed by Barron and Kenny (1986) was utilized to test intercession of authoritative citizenship conduct between emotional intelligence, yet nothing huge was found. The outcomes showed that emotional intelligence of the authoritative citizenship conduct of adherents.

Ogilvie and Carsky (2002) expressed that expanded accentuation on feelings in arrangement, a practice is exhibited which can be utilized with a reproduced transaction to create emotional abilities. Connecting research on the part of feelings in arrangement to emotional intelligence, authorspropose an arrangement of acivities to create more noteworthy mindfulness, comprehension, and capacity to oversee feelings while negotitating. the showing note discloses how to utilize two worksheets, one preceding and one amid the reproduction. Heading on the worksheets relate to levels of emotional intelligence. Recommendations for questioning alongside supporting writing are given.

Schumacher, Wheeler and Carr (2009) expressed that reason for this paper is to investigate the relationship between purchaser's emotional intelligence and purchaser's relationship execution. A study strategy was utilized to gather information for this study. The overview was regulated utilizing an appraisal procedure which fused "purchasers'" and "providers' evaluation for the free factor, emotional intelligence, and the reliant variable, relationship execution. The respondents comprised of 34 purchasers and 102 providers. Connection and relapse investigation uncovered a few critical connections between the factors. In particular, purchasers' self-evaluated emotional intelligence was not altogether identified with purchasers' self-surveyed relationship execution. Purchasers' emotional intelligence surveyed by providers was altogether identified with purchasers' relationship execution evaluated by providers. Purchasers' emotional intelligence (as evaluated by purchasers and providers' appraisal contrasts) was not essentially identified with purchasers' self-surveyed relationship execution. Last, purchasers' emotional intelligence (as surveyed by purchasers' and providers' appraisal contrasts) was essentially identified with purchasers' relationship execution (as evaluated by purchasers' and providers' appraisal contrasts). In this way, the outcomes propose that purchasers' emotional intelligence is emphatically identified with relationship execution, most essentially from the point of view of their key providers. This study is the first to present emotional intelligence inside a situation that comprised of people working with others outside of their separate associations (purchasers and providers). This exploration offers some knowledge to purchasers on the ramifications of emotional intelligence and how it can be utilized to bolster their communications with their key providers.

Jorfi and Jorfi (2012) today's worldwide complex environment, authoritative culture in instructive organizations assumes a principle part in the relationship between emotional intelligence and correspondence adequacy. This paper is embraced to comprehend the impact

of culture in the relationship between administrators' emotional intelligence and correspondence viability with workers in instructive organizations of Iran. The objective is to enhance correspondence adequacy in that specific situation. Information for this study were gathered through polls that members (N = 145) were supervisors and workers in instructive organizations of Iran. The point of this paper evaluates the self-respect of emotional intelligence with correspondence adequacy and hierarchical culture in instructive organizations of Iran. Emotional intelligence assumes an imperative part in correspondence viability. People with high hierarchical culture have a tendency to have higher emotional intelligence and this activity prompt to enhance correspondence adequacy. The aftereffect of the paper demonstrates a solid correspondence between authoritative culture, correspondence adequacy and emotional intelligence in instructive organizations.

Downey, Papageorgiou and Stough (2006) analyzed the relationship between administration style, instinct, and emotional intelligence (EI) measured by a general and a working environment particular measure of EI in female directors. The study comprised of 176 female directors from a few enterprises crosswise over Australia who finished a survey battery comprising of the multifaceted administration poll (MLQ), the psychological style file (CSI), the attribute meta-state of mind scale (TMMS), and the working environment Swinburne University Emotional Intelligence Test (work environment SUEIT). The outcomes showed that female directors showing transformational authority practices will probably show larger amounts of EI and instinct than female administrators showing less transformational initiative practices. The working environment measure of EI was observed to be the better indicator of transformational administration practices than the general measure of EI, which was ascribed to the working environment particular nature of the working environment SUEIT. The ramifications of this examination proposed the more noteworthy utility of work environment particular EI measures when simultaneously surveying working environment results. Look into administration, EI and instinct may build our comprehension of compelling authority and could prompt to the improvement of better instruments for the choice, preparing and advancement of pioneers. This paper stretches out upon earlier research that has distinguished a relationship between transformational administration and EI, furthermore investigates their relationship to the develop of instinct in female chiefs. It additionally addresses the vital issue of the utility of two measures of EI in light of the working environment nature of the examination.

Samanvitha and Jawahar (2012), decided and built up a relationship between vital emotional intelligence and occupation fulfillment among employees in Arts and Science establishments. In this study, Arts and Science employees of 9 universities and 12 specializations of Tamil Nadu, India, were given a poll. An aggregate of 98 self-managed surveys were considered in this study, out of which 59% respondents were guys and 41% females. The normal time of respondents in this study was 42 years. For a credible study, an itemized poll was produced. The survey had three segments—understanding feelings,

overseeing feelings and employment fulfillment. In this study, specialists utilizes the Mayer-Salovey-Caruso's Emotional Intelligence Test (Mayer et al., 2002) and Wong's occupation fulfillment inventories to measure emotional intelligence and employment fulfillment levels individually. Test comprises of 98 employees in Tamil Nadu, India, and different measurable devices have been utilized to decipher the information. This study presumes that vital EI is a multidimensional idea comprising of comprehension feelings and overseeing feelings. A positive relationship has been built up between key EI and JS. However, the relationship is observed to be feeble which builds up that there are numerous elements that impact JS, and consequently key EI may not be the critical one. This concentrate likewise highlights the requirement for reinforcing the key EI scores of the employees since it is found to influence the fulfillment at their occupations.

Hossein et al (2012), explore the relationship between Emotional Intelligence and burnout. For this study, elucidating strategy is utilized and 438 authority faculty of Ghom Public Universities among which 84 were chosen that offered an explanation to two standard surveys of Mayer and Salovey Emotional Intelligence and Maslesh burnout stock. In this study for breaking down of information and deciding the kind of relationship between the study factors SPSS programming furthermore normal trial of a factual society, Spearman connection coefficient and Freedman test were connected. Discoveries demonstrate that Emotional

San and Eleanor (2012), examined the interrelated influences of managers' emotional intelligence, leadership styles and employee outcomes. The study was conducted in two large organizations in Shanghai, China, on a sample of 323 participants, including both managers and subordinate employees. Emotional intelligence was measured by using the Wong Emotional Intelligence Scale (WEIS), and leadership style, using the Multifactor Leadership Questionnaire (MLQ-5x Short). The results showed that managers' transformational leadership style fully mediates the relationship between managers' emotional intelligence and employee job satisfaction. However, no mediating effect of managers' transformational leadership style was found on the relationship between managers' emotional intelligence and employee performance, organizational commitment and job stress. The results of this study contribute to current insights about the interrelationships on managers' emotional intelligence, leadership style and employee outcomes, showing that the power of managers' emotional intelligence on job satisfaction must be expressed through a third mediating variable, transformational leadership.

Shahzada et al (2012), investigate the nature of the relationship between emotional intelligence and students' academic achievement. The population frame work of this study consisted of all the degree collages students of 1st year. Multistage stage random sampling technique was used for selection of the sample. Responses of the 714 sampled students were collected using Armstrong multiple intelligence inventory. In order to observe the relationship between the dependent and independent variables, Pearson Product Correlation

Coefficient and Statistics was applied. Results of the study showed that there is a significant relationship between emotional intelligence and students' academic achievement. It was recommended that component of emotional intelligence should be taught in schools and should be included in school curriculum.

Anuar, (2012), examined the predictive relationship between emotional intelligence and transformational leadership styles of managers in commercial banks in Shah Alam. It also determines the moderating effect of trust of employees to their managers with the relationship between the two constructs, as well as the trust in emotional intelligence scores and the styles of manager's transformational leadership. A total 222 sets of questionnaire were distributed to employees and only 147 (66.22%) were collected from three commercial banks in Shah Alam which are Malayan Banking Berhad (Maybank), CiMB Bank Berhad, and RHB Bank Berhad who responded about their manager's emotional intelligence scales and transformational leadership styles. Data analyzed using descriptive and statistical statistics. Results indicated that there was also a significant positive relationship between several emotional intelligence dimensions and transformational leadership styles of managers. Then, employees' trust on managers only moderate scores in Self-Emotional Appraisal and Inspirational Motivation.

Stein et al (2009) examined the emotional intelligence (EI) scores of two high profile executive groups in comparison with the general population. Also the study aims to investigate the executive group's EI scores in relation to various organizational outcomes such as net profit, growth management, and employee management and retention. The Emotional Quotient Inventory (EQ-i) was administered to a sample of 186 executives (159 males and 27 females) belonging to one of two executive mentoring associations, the Young Presidents' Organization (YPO) and the Innovators' Alliance (IA). A series of questions relating to pre-tax operating profits over the past three years, previous year's net profit, and various business challenges were asked of each executive. The results showed that top executives differed significantly from the normative population on the EQ-i in eight of the 15 EQ-i subscales. Executives who possessed higher levels of empathy, self-regard, reality testing, and problem solving were more likely to yield high profit-earning companies, while Total EQ-i was related to the degree to which a challenge was perceived as being easy with respect to managing growth, managing others, and training and retaining employees. The findings enable researchers and practitioners to better understand what leadership differences and similarities exist at various organizational levels. These profiles further aid in human resource initiatives such as leadership development and personnel selection. Despite empirical evidence supporting the relationship between EI and leadership, research with high-level leadership samples is relatively sparse. Through this study, the authors also examined EI in relation to two unique, yet high functioning executive groups, which will enable further exploration into the emotional and psychological structure of these high-performing groups.

Fekula (2008) developed the Emotional Quotient Matrix, which is based upon the tenets of emotional intelligence. The dimensions of the matrix are emotional strengths versus weaknesses and controllable versus uncontrollable traits. Leaders must maximize or hone strong emotional traits, while avoiding or improving upon emotional weaknesses. Controllable traits must be targets for improvement. The EQ Matrix poses a systematic means to both assess EQ and take action to improve it. Leaders should commit to understanding and modifying their EQ. Not only can it can be improved, EQ is a significant determinant of leadership success. Nothing will serve a leader better than EQ improvement. EQ is imperative to improving relationships and the general effectiveness of a leader.

Tomczyk, Solomon, & Winslow (2009) assessd a person's ability to identify and manage their emotions and respond to others. They stated that literature lacks any discussion of the impact of an entrepreneur's EI on his or her employees. Specifically, authors conducted an exploratory study looking at successful entrepreneurs' EI and the benefits offered to their employees. Authors hypothesize that high EI entrepreneurs create a better working environment for employees as the entrepreneurs are aware of their employees' needs and can find non-monetary ways of offering support, but this relationship is moderated by firm size.

Kaur (2016) stated that the role of an effective leader in the growth and development of an organization continues to be an area receiving attention. The important parameters which are emerging as key indicators of effective leadership may be innumerable but the present research will focus on two vital parameters that are spirituality and emotional intelligence. The role of emotional intelligence (EI) in the development of leadership process is undisputed but what role does spirituality play in creating effective leaders is the current area of interest. The present research proposes to study the role of spirituality and emotional Intelligence in the development of effective leadership through extensive literature review. Emotional Intelligence includes self- awareness, empathy, self-motivation, emotional stability, managing relationships, integrity, sociability, warmth and optimism on the part of the leader reflecting it onto the followers and spirituality comprises the values, attitudes, and behaviours that are reflecting compassion, vision, hope, commitment, satisfaction and happiness that are necessary to intrinsically motivate one and others.

Fry (2003) has pioneered immense research in the area of spiritual leadership; therefore this review would integrate most of his theory and findings of other researchers as well. Along with conclusion a critical review has been given based on extensive review of literature and the appreciative inquiry conducted on a panel of scholars on these factors.

Khoavi et al (2011) examined the relationship between manager's Emotional Intelligence (EI) level and effective delegation in industry. In order to test and discuss this relationship, some perception from past and relevant researches and texts are required. This paper also describes the core and practical concept of Emotional Intelligence and delegation, followed by the importance of effectiveness in workplace.

Lazovic (2012) stated that knowledge management is the main component of knowledge-based society. Learning organisations are aware of the potential that lies in human resources, and are prone to developing new concepts of leadership, where hierarchy and pyramid structured decision making no longer play the main role. The new concept is built on partnership between professionals from different sectors of the organisation. Partnership alliances depend on quality of human relations. Authors suggest that emotional intelligence enhanced with new concepts of leadership increases generating and transfer of knowledge. The study has a qualitative approach taken through interviews that were conducted with top management in order to investigate the role of emotional intelligence and its impact on management in correlation with sharing knowledge.

Brackett et al (2011) presented an overview of the ability model of emotional intelligence and includes a discussion about how and why the concept became useful in both educational and workplace settings. Authors reviewed the four underlying emotional abilities comprising emotional intelligence and the assessment tools that that have been developed to measure the construct. A primary goal is to provide a reviewed of the research describing the correlates of emotional intelligence. Authors described what is known about how emotionally intelligent people function both intra- and interpersonally and in both academic and workplace settings.

Conclusion

After reviewing the research article, it can be deduced that emotional intelligence is an important attribute to be developed among the individuals as it affects various aspects of behaviours among them. Thus every manager should employee and try to develop emotional intelligence among the employees.

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CURRENT ISSUES OF ENSURING STABLE ECONOMIC GROWTH IN UZBEKISTAN ON THE BASE OF THE INNOVATION DEVELOPMENT

Farogat Shokirova[1]

ABSTRACT

Actual issues of ensuring stable economic growth of economy of the Republic of Uzbekistan in terms of innovation development is described in this article. In addition, the way of development makes both quantitate and qualitive analyses while making better illustration of it as whole. Besides, innovation deployment has considered and concluded with the major outcomes while tackling issues of it. Briefly, final conclusion makes outline of innovative advancement features of it as well as possibilities of the further researches topics are introduced.

Keywords : Economy, Innovation, development, Uzbekistan

Introduction

Changing the structure of the national economy, its modernization and increasing competitiveness are the main goals of the deep economic reforms in the Uzbekistan.

As the President of the Republic of Uzbekistan said – "Our main objective should consist from continuous technical and technological renewal of the production, steady searching for internal capacities and possibilities, conducting deep structural changes in the economy, intensively continuation of modernization and diversification of the economy [2]". Government of Uzbekistan on the base of implementing structural changes in the economy puts goal of increasing share of industrial products in gross domestic product from 33.5% from 2015 till 40% in 2030, decrease share of agriculture from 16.6% to 8-10%, decreasing energy consumption to gross domestic product (GDP) 2 times by wide implementation of energy saving modern technologies. The Government determined importance of keeping yearly growth rate by 4.8%, objective of increasing volume of industrial products with high

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[2] The speech of the President I.A. Karimov in the Cabinet of Ministers of the Republic of Uzbekistan's an extended meeting on January 15 to discuss the outcomes of socio-economic development in the country in 2015 and the crucial priorities of economic program for the year 2016.// Khalq Suzi №11 (6446), 16 January 2016. In UZBEK language

value added tax by few times. Further development of integration of science and production in accomplishing of these strategically objectives have an important role(Abdukarimov B.A, 2013).

State support of scientific research in conditions of modernizing national economy has being important. Because there are still lots of necessary tasks to be done in forming innovation infrastructure, implementing scientific research results in to sectors of the economy and its effective financing. President of Uzbekistan taking in to account of experience of innovation developed countries said – "…for ourselves we well imagine necessity of high technologies to the deepening of structural changes in the economy and processes of its modernization. World experience, developed countries' experiences have proved this truth."[1]

Current issues of ensuring stable economic growth in Uzbekistan on the base of the innovation development

We can see higher share of expenses to the research and development out of GDP in countries which have chosen way of innovation development.

The following diagram illustrated research and development expenses out of GDP in some developed countries.

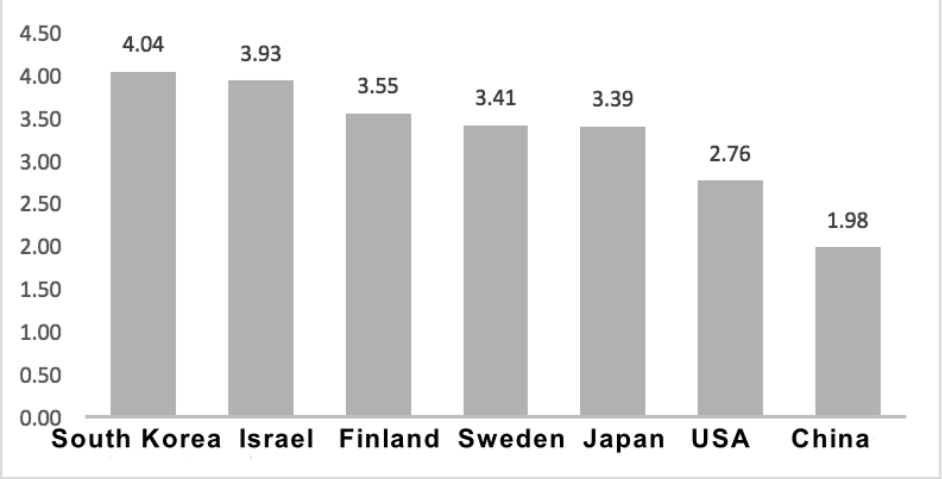


Diagram 1. R&D expenses in 2015[2], (% of state GDP)

[1] I.A. Karimov. Serving to the happy prosperity and great future of the mother country is higher joy.- Tashkent.: "UZBEKISTAN" publishing company, 2015, P. 304. In UZBEK language

[2] https://www.iriweb.org/sites/default/files/2016GlobalR%26DFundingForecast_2.pdf

As shown in diagram 1 in 2015 expenses for R&D in South Korea was 4.04%, in Israel 3.93%, in USA 2.76%, in Finland 3.55%, in Sweden 3.41%, in China 1.98% out of GDP. Of course, if we access by the percentage of financing of R&D out GDP the USA stays not in the leading position. But taking into account of USA and China are leaders in the world in GDP and in 2015 in USA it was 18.0 trillion, in China 18.8[1] US dollars, in these countries R&D in 2015 was 496.8 billion and in China 372.2 billion US dollars. These numbers prove that USA and China are leaders in R&D spending(Akimov & Dollery, 2009).

The following table describes information about ranking of technologically leading countries in some economical parameters.

Table 1. **Ranking of technologically leading countries[2].**

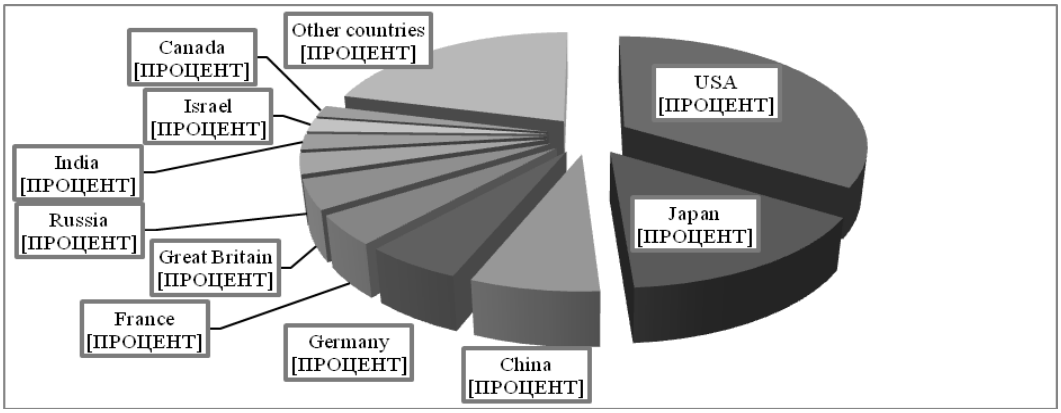
#	Ranking	I	II	III	IV	V
1.	Agriculture, food	USA	China	India	Brazil	Japan
2.	Medicine, biotechnology	USA	Great Britain	Germany	Japan	China
3.	Nanotechnology, new items	USA	Japan	Germany	China	Great Britain
4.	Energy	USA	Germany	Japan	China	Great Britain
5.	Defence, security	USA	Russia	China	Israel	Great Britain
6.	Electronics, computer technologies	USA	Japan	China	South Korea	Germany
7.	Informatics management	USA	India	China	Japan	Germany
8.	Machinery	Japan	USA	Germany	China	South Korea
9.	Aviation, railways	USA	Japan	China	Germany	France

[1] as same as in 3

[2] A report on the status of basic Sciences in the Russian Federation and on the most important scientific achievements of Russian scientists in 2014. Academy of Sciences of Russia, 2015, Publisher "Science", P.24.

Its shown in the table that USA is leading in the all the parameters. Researchers in the scientific literature had separately shown two main directions of supporting innovation in the country. As a first direction trading of innovation simplified in order to keep benefits for scientific workers who are doing research work. For example, changes and including additions to the USA Bayh-Dole Act become a cause of forming and further advancing of "Triple Helix" model in the national innovation system. Because till 1980 trading with new technologies was responsibility of different federal agencies which had no interest from scientific products and innovation technologies.[1].

In 2014 in South Korea with innovation economy more than 1000 scientific research projects implemented thru the international partnership. The following image provides information about countries partnering with Republic of Korea in scientific research activities.



Picture 2. Information about international partnership of Republic Korea in R&D[2]

As seen in the picture 2 the Republic of Korea has established strong international relations in the R&D sphere. Main projects in R&D implemented with USA (34 %) and (15 %), also relations established with European countries as Germany, France, Great Britain. For example, in 2006 international contracts was signed between Republic of Korea and European Union for implementing KORANET *(the Korean scientific cooperation network*

[1] Hughes S. Making dollars out of DNA. The first major patent in biotechnology and the commercialization of molecular biology, 1974–1980 // Isis; an international review devoted to the history of science and its cultural influences. 92 (3). 2001.

[2] Giroud A. , Yoo J., Mo Y., Pervez G. (2012), "Innovation policy, competence creation and innovation performance of foreign subsidiaries: The case of South Korea," Asian Business & Management, 11 (1), 56-78. (DOI: 10.1057/abm.2014.27).

with the European Research Area), KESTCAP *(the Korea-EU Science and Technology Cooperation Advancement Programme)* and KORRIDOR *(Stimulating and facilitating the participation of European researchers in Korean R&D programs)* R&D projects. Those projects determined research in the following directions:

- development of new innovation materials and nanotechnologies;
- information and communication technologies: developing new technologies, internet technologies and robot technics;
- energetics;

Case study

In our opinion establishing international relations in research projects will accelerate entering national innovation market products in to the world market. Because taking into less demand in the internal market for the research products developed by the researchers, attracting international consumers to the national innovations market is meets our goal. Of course, in our opinion adapting some features of innovation politics of South Korea in the economy of our country will allow take valuable place in the world market. Particularly, need to take in to account less demand for the research products in the national economy. Consequently, this conditions decreases economical interest of research products and negatively impacts to the development in this direction. In this point of view for scientific research institutes and centres important to further deepening of international partnership relations(Calhoun, 2013; Jim Nichol, 2010).

Information about sold and purchased technologies in some countries in 2011-2014 provided in this table.

Table 2 : **Export and import of research products and technologies in some countries of the world[1]. *(in million USD)***

years	USA		Great Britain		Germany		South Korea		China	
	export	import	export	import	export	import	export	import	export	import
2011	123334	36088	16957	11081	10717	73400	4399	7415	743	14706
2012	124439	38660	15163	9256	10262	6377	3903	8617	1044	17749
2013	127927	38999	17105	1030	13114	8425	4328	9837	887	21033
2014	130361	42124	19826	11225	13797	8122	5167	70546	676	22614

[1] Drawing by the author form data of World Bank, 2016. http://data.worldbank.org/indicator/BM.GSR.ROYL.CD, http://data.worldbank.org/indicator/BX.GSR.ROYL.CD

As shown in Table 2 in developed countries such USA, Great Britain and Germany export of research products and technologies has tendency of growth than their import. For example, in 2014 in USA 42124,0 million dollars were spent to technology imports, 130361,0 million dollars earned by their export, it is more than 3 times than import. In China, we can see opposite of this situation. In 2014 in China imported research products and technologies for 676 million USD, and 22614 million USD were spent to their purchase, so 33.5 times more money was spent to import. Of course, there may be two approaches to this situation. Positive parts are that implementing imported high technology and patents in to the production have direct impact to the economic growth. But as we described above this condition will cause the technological dependency and existence of putting restrictions to the import of the technologies will create the risk of decreasing the economic growth.

The following diagram demonstrates R&D spending resources in China.

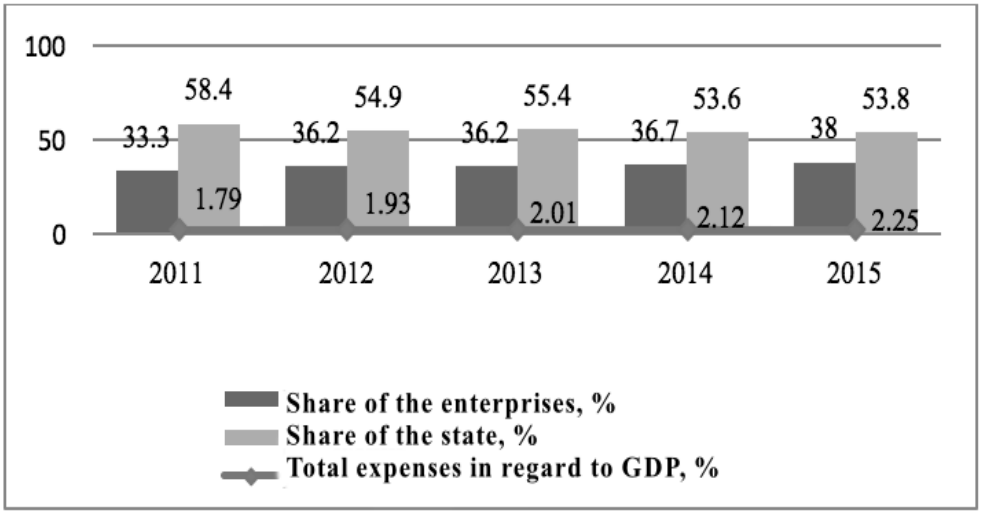


Diagram 2. Information about R&D spending in China in 2011-2015[1]

Diagram 2 illustrates that in China there is tendency of increasing R&D spending in GDP and state has noticeable share in this spending. During the analysed period 2011-2015 R&D in GDP increased from 1.79% to 2.25%. In the distribution between state and companies there is the tendency of increasing share of the private sector. For example, in 2011 share of the state and companies was 58,4 and 33,3 %, in 2015 share of the state decreased till 53.8%

[1] China Science and Technology Development Report. Ministry of Science and Technology of the People's Republic of China (MOST). Beijing: Chinese S&T Literature Press, 2014. OECD Science, Technology and Industry Outlook 2015, Paris: OECD, 2015.

and share of the companies increased till 38%. Growth of share of private companies are considered and positive indicator (De Melo, Denizer, & Gelb, 1996; Kotz, 2003).

In order to review the condition of innovation economy development in Uzbekistan on the base of the experience of developed countries it is necessary to analyze some connected macroeconomically indicators. The following table illustrates this analysis.

Table 3 : **Changing of indicators of innovation development effectiveness**[1]

Indicators	**2011**	**2012**	**2011**	**2012**	**2013**	**2014**	**2015**
Labour productivity growth rate in years, in %	104,9	110,0	103,5	97,2	99,0	105,6	105,6
The degree of obsolescence machines and tools, in %	59,0	58,6	55,5	52,7	52,4	50,9	50,5
Renewal of capital assets, %	17,0	12,8	18,1	17,1	12,6	18,9	12,9
Period of renewal of machines and tools, in years	12,0	7,0	5,0	7,0	11,0	7,0	9,0
Level of decommission of machines and tools, in %	3,0	4,2	6,4	1,1	3,2	6,3	2,8

Condition, dynamics and main tendency of 5 main indicators which presents condition of innovation development in Uzbekistan in 2011-2015 are shown in Table 3.

First indicator is labour productivity; this indicator presents not significant growth in comparison with other years. But in 2012-2013 negative tendency was observed.

[1] Created by the author on the basis of the published in appropiate years information of the Statistical Committee of the Republic of Uzbekistan

As known modern machinery and tools are play important role in ensuring stable economic growth on the base of the innovation development. Especially at present period of usage of capital assets decreasing and in some countries, it is containing 6-8 years (Table 3).

So, achieving stable economic growth on the base of the innovation development requires direction of large financial assistance in to the national economy. In Uzbekistan, there is necessity to increase renewal rate of capital assets and increase investments to this renewal. We can see this in the following table. Amount of investments (in percent's), construction and installation, machines, tools and for other works and its dynamics shown in this table.

Table 4 : **Changing of technological structure of investments**[1] *(% to the total)*

Indicators	2000	2005	2012	2013	2014	2015
Investments, total	100	100	100	100	100	100
Including:						
Construction and installation works	30,6	48,7	52,1	50,8	52,3	53,9
Machines, tools, supplies	58,1	38,7	39,0	39,5	35,8	36,5
Other works	11,3	12,6	8,9	9,7	11,9	9,6

Analysis showed that investments to the machines, tools and supplies consist 58.1% in 2000, in 2015 in was 36.4% within the total investments for technic and technological investments.

After the world financial-economic crisis in 2008 necessity for solving serious problems and contradicts of transitioning national economy to the innovation development rose up in Uzbekistan as same as in many other countries of the world. Especially instability of prices in the world financial and consumer markets, deepening of geopolitical and economic problems and contradicts, limitation of economic resources, external financial dangers and others are listed during and after the crisis.

Suggestions

Listed above conditions and provided researches necessity for creating long and short term strategy for ensuring stable economic growth on the base of the innovation development

[1] Created by the author on the basis of the published in appropiate years information of the Statistical Committee of the Republic of Uzbekistan

in national economy. Along with this following conditions are necessary to create strategy of innovation development.

1. Intellectual capacity and modern technologies to implement innovation process in to the practice.

2. Existence and increasing number of people who are interested and seeking benefit from innovation projects.

3. Level of development of innovation environment and infrastructure.

4. Funds for financing innovation development. Foreign experience in this show that there are 2 large resources for financing innovation development. a) state budget funds and б) private funds (venture fund).

In developing strategy, its necessary to clearly determine funds for innovation development, period, volume and mechanisms. It should be noted that several positive works have been conducted in Uzbekistan, but share of funds spent for innovation development have still remained very low level.

5. Sectors in the national economy where innovation development implemented.

In Uzbekistan, here is no opportunity for implementing innovation economy for all the sectors of economy, taking into account this it is important to clearly determine implementing innovation development and determine directions of financial support directions in the strategy.

Goal of the strategy is step by step transitioning Uzbekistan economy to the national innovation development system, results of this transitioning will be shown in these indicators:

- gradually increasing volume share of products manufactured in industries by using innovation technologies in state GDP till 30-35% by 2030 (by the end of the 2015 it is 6-8%[1]);
- gradually increasing volume of finished products in the export and decreasing raw materials export, in 2015 raw and other materials in export volume was 25%, energy products in the export volume was more than 20%[2];
- increasing funds directed to innovation projects and to their support till 1.5-2% of GDP, currently this is 0.5% GDP[3];
- increasing publication of Uzbek researchers' scientific articles and abstracts on innovation technology in cited international journals;

[1] Data form the Statistical Committee of the Republic of Uzbekistan
[2] Data form the Statistical Committee of the Republic of Uzbekistan
[3] Data form the Statistical Committee of the Republic of Uzbekistan

- including 2 Uzbekistan universities in to the top 500 world universities by 2020, 2 universities in to the top 200 by 2025, 1 university in to the top 100 by 2030 (Quacquarelli Symonds World University Rankings);
- increasing getting number of patents from local and international patent offices for innovation projects. Particularly receiving patents from EU, USA and Japan for private and legal entities innovation developments till 2030;
- increasing performance and effectiveness of companies involved in to the innovation activities;
- implementing innovation management methods in to the activity of government authorities. Especially liberalizing management of economy and increasing its transparency, also including Uzbekistan closely to the list of the countries where innovation projects widely implemented.
- In implementing suggested to create strategy of Uzbekistan's innovation development role of fundamental research works and centre's will be grate, taking into account of these following mechanism should be in place:
- organizing and developing infrastructure of research works, attracting leading universities to these works;
- organizing and developing research centres on the basis of all the sectors of the economy;
- organizing and supporting developing business centres for fundamental research and providing state support at the early stages of development;
- implementing new methods in providing funds and financial support for legal and private entities conducting research works in innovations;
- establishing and developing partnership with foreign countries conducting research works on innovation development.
- The following conclusions were formulated after research and learning studies done in ensuring stable economic growth based on the innovation development:
- in XXI century, the innovation development has become the main factor in ensuring stable economic growth of the country. Because, the innovation economy is a practical view of the high results of modern techniques and technology, also intellectual capacity of the human being;
- need for scientific practical study of issues regarding innovation theory and innovation development had been cause of financial-economic crisis and other social disturbances, on the result of this innovation development related to the high technologies and intellectual property had founded;
- first of all political stability is necessary to ensure the stable economic growth on the basis of the innovation development is created in Uzbekistan;
- in developed countries with innovation economy in place the government and private individuals dedicate large amounts of funds towards to innovations. These

funds are containing large percent of the GDP. Implementing this experience to the Uzbekistan should be considered;

- there are many models of forming innovation economy in the different countries. Especially Triple Helix model recommended by Stanford University professor Henry Etzkowitz is one of the effective models and national innovation system of USA is based in this model;
- The Peoples Republic of China has developing its national innovation system in the economy by harmonizing planned and market economy mechanisms. By our opinion there is huge role of the state in developing innovation technologies, works in increasing role of the private sector still continued. Along with this scientific research centers and universities also has their place in preparing human resources with scientific capacity;
- "the innovation economy" came to the society after industrial economy had taken place. Industrialized economy – is the economy developed from traditional way into the social-economical developed economy with high share of industrial production. Economies of Japan, USA, South Korea, Germany as example;

The following recommendations were developed to ensure stable economic growth on the basis of innovation development:

- along with financial support of innovation development by the state and private individuals attention should be paid to the followings.
- *First*, implementing new advanced production funds and materials in to the practice.
- *Second*, decreasing the cost of the production in all the directions.
- *Third*, production of items which meets all the international and ecological requirements.
- *Fourth*, continuous improvement of quality and types of the consumer goods;
- Recommended use tax incentives for R&D to ensure economic stability in the country. Especially decreasing tax load for the companies' expenses for R&D during calculation of companies' profit taxes;
- Implementing some parts of the South Korea innovation politics to the Uzbekistan's economy will allow us to take place in the world market. So, it's important that there is less demand for scientific innovations in the internal market;
- It is advisable that implementing innovation economy to the sectors of the economy step by step, not to all the sectors at once.

Conclusion

To our mind, only industrial and innovative development and rapid urbanization, that is part of it, are able to respond effectively to the existing challenges. Therefore, the task is to

shape a long-term strategy for industrial and innovative development and relevant State policy for rapid urbanization of the nation. This analytical note illustrates preliminary vision of the issues and prospects of urbanization in long-term and short-term period.

Moreover, existing situation in the field of housing construction require adoption of the state program of social housing construction. This envisages construction of multi-storey residential buildings funded by government budget and their lease to those with the small income, first of all, for the young families.

It seems feasible to implement the measures on institutional and organizational support of formation of the comprehensive government urbanization policy. Specifically, the Centre of the regional policy and urbanization has to be established under the Cabinet of Ministers; the standing mechanism of analysis, forecasting and planning of the processes of the regional development, urbanization and demography, identification of the key trends of the cities' development, both of the large, medium and small ones, identification of the migration flows, etc. can be established on the basis of the Centre.

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- *I.A. Karimov. Serving to the happy prosperity and great future of the mother country is higher joy.- Tashkent.: "UZBEKISTAN" publishing company, 2015, P. 304. In UZBEK language*
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ECONOMIC AND ENVIRONMENTAL DEVELOPMENT IN THE CONTEXT OF ENVIRONMENTAL PRODUCTION OF FUEL AND MINERAL RESOURCES

Shohista N. Muratova[1]

ABSTRACT

In the area of globalization, preservation of the environment is one of the components of the overall success of economic development. Therefore, this article discusses ways to improve the fuel and mineral resources efficiency and the preservation of environmental quality. Branches of fuel and energy complex prevail in economic structure of Uzbekistan. The enterprises for production of fuel and mineral resources make essential negative impact on all components of surrounding environment: atmospheric air, land and water resources, subsoil. In this regard, in article the main attention is paid to the actions, allowing to prove a complex of ecological, economic and social requirements to technologies of production of fuel and mineral resources, and also to create scientifically reasonable program of greening of development of fuel and mineral resources.

Keywords *: economy modernization, increase of efficiency of use of natural resources, preservation of quality of surrounding environment, production of fuel and mineral resources, greening of economic activity.*

Introduction

Today, globally changing world energy resources constitute as one of the main factors of intensive economic development in the international arena. Energy occupies its own special place in any economy. As far as it is considered, energy is the main driving force of the economy and a prerequisite for people's welfare.

Natural gas occupies a leading place in the energy balance of the country. The share of natural gas in the energy mix is 84-87%, fuel oil - 8-11% and coal 3.5-4.4% (Shadimetov, 2011).

The annual analysis of the International Energy Agency in 2010 was presented to forecast the development of Uzbekistan's energy sector until 2035. According to this forecast, natural gas will play a leading role in energy consumption over the long term, providing more than

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80% of primary energy needs. Among conventional energy the share of coal will rise, but the absolute value of its consumption still remains low.

The annual report of the President on the meetings of the Government noted that the logic of implementing a long-term strategic goal of economic development put forward as a major priority the continuation of structural adjustment policies and the advance development of high-tech industries and advanced manufacturing.

Coal industry occupies a key position in the fuel-energy complex of Uzbekistan. Because coal is the basis of primary energy required for the production of electricity and thermal energy, fertilizers, plastics and more. In recent years, the industry is characterized by a steady rate of growth in coal production and sales, as well as the positive dynamics of the main economic and financial indicators. The main consumer of fuel in the country is the power sector. In the energy sector accounts for over 85 percent of total coal consumption. Industrial enterprises, social and communal areas, people are also create demand for solid fuel.

Under the program of modernization, technical and technological re-equipment of production in the coal industry for the years 2012-2018 provided to achieve production growth by 2019 to 11 million tons (2.5 times), stripping works - up to 54 million cubic meters (3.3 times). Due to the increasing volume of overburden operations increased simultaneously extracted minerals stockpiled in dumps. This primary and secondary kaolin (10.5 million tons), limestone (400 million tons), gravel (9 million tons per year). It is advisable to use these products in cooperation with enterprises and organizations of other ministries and departments for the joint production of building materials (cement, bricks, ceramics and tiles), as well as refractories, insulators and other.

Oil, gas and coal, the very functioning and development of the energy sector have a very large negative impact on the reproduction of natural resources and the environment. The total share of pollutants released into the environment sectors of our economy the share of electricity accounts for 33% of the oil and gas sector and 31% of pollutants. Each year, the energy sector emits an average of 65 thousand tons of sulfuric acid. If we keep in mind that government programs the share of coal in the fuel and energy balance of the country will increase, that, accordingly, the situation of environmental pollution will also be exacerbated (Overview of the environment of Environment Policy Committee of the European Economic Commission of the United Nations, 2010).

Theoretical and analytical framework

As we know, one of the components of the overall success of our economy at the present stage is to improve the efficient use of natural resources and the preservation of environmental quality. It's - two sides of the same problem of environmental management as an economical, efficient, and comprehensive utilization of natural resources in the production process contributes to the reduction of revenues of harmful elements in the environment and,

on the contrary, increase the level of cleaning and recycling of valuable components improves processing, consequently, the efficiency of the source materials.

Modern ideas about balanced regional development suggest cost-effective consumption of material goods in terms of environmentally profitable progress. In this regard, of particular relevance acquire problem-exploratory research, contributing to the development of a unified methodology of ecological and economic space where natural economic activities should be considered from the standpoint of continuity and interaction efficiency economic, environmental, social, legal and technological forms of reproduction.

Environmentally sustainable development implies interdependence and interdependence of economic, social and environmental mechanisms that reproduce the conditions to ensure their long-term economic development in compliance with environmental requirements for the preservation of environmental quality and the natural resource potential of the industry. The methodological basis for this is the systematic approach, the incoming part of the formation of a unified ecological and economic mechanism of the greening of business, linking to a balanced unity natural economic capital, gross domestic product, including further produced and sold products of emissions and waste production, and the final mechanism of impact on the natural environment and public health by preventing the emission of pollutants and the placement of production wastes.

Under the green economy will be understood stage of development of post-industrial society, comprising the formation of a new economic structure, which includes a new high-yield industry and the sector directly or indirectly focused on the expanded reproduction capacity of the environment to its self-healing and meeting the needs of humanity (Alexandrovich, I.M. & Shcheulin A.S., 2008).

Economic damage from environmental pollution is a valuation of the negative effects of pollution, which at the present stage of development of economic science can be appreciated in value terms. Specific types of economic consequences or the economic damage in the areas of production of goods and services are grouped as follows (Figure-1).

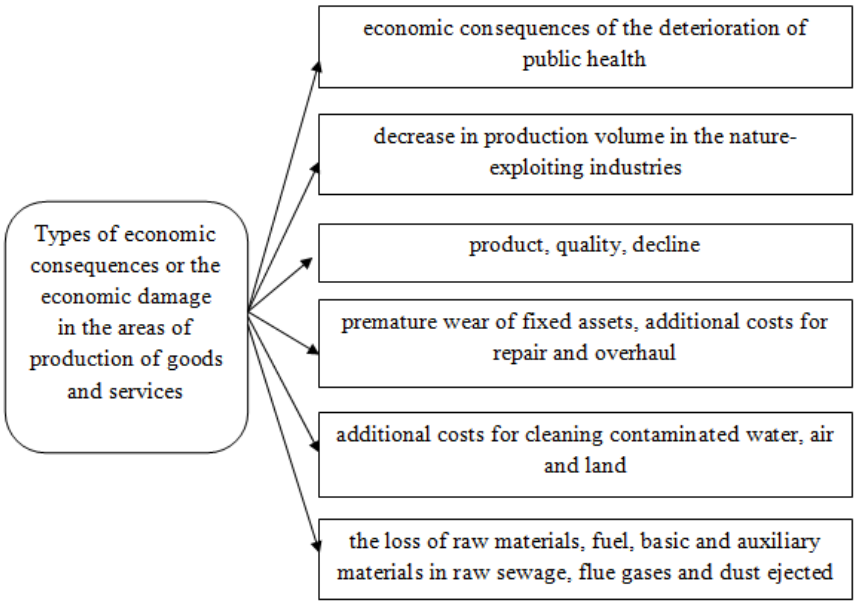

Fig.1. Types of economic consequences or the economic damage in the areas of production of goods and services

Contamination of the environment has an impact on the overall economic development: GDP, national income. Reducing pollution national income medium occurs as a result of, first, the direct loss of product and revenue, respectively in a number of industries and, secondly, because of the extra cost of maintaining the economy branches, repair painting production assets. These additional costs reduce national income, as part of national income is used to compensate for the effects of pollution and in this sense is used unproductively.

Taking into account the priorities of the international community in the development of the third millennium, sustainable economic development should be adjusted to the quality of socio-economic development. The structure of Uzbekistan's economy is dominated by industry's fuel and energy complex and the proportion of products in the structure of industrial production is about 25% (Basic indicators of the industry 2005-2012 yy., 2013; Statistical Yearbook of the Republic of Uzbekistan for 2005-2014 yy., 2015).

The present products of fuel industry production is gas, oil and coal. Solid fuels represented in the energy industry are mainly coal as the most secure and proven commercial reserves of fuel resources, many countries use to stabilize the national energy sector. To date, have already proven energy coal in Uzbekistan will last for hundreds of years. In most countries, the price of coal is considerably lower than oil and gas, so the proportion of coincidence of power generation on carbon in the United States is 52%, Germany - 53%, in China - 78% (Romanova, Kurakova & Ermakov, 1993).

Considering the state of the global production of the mining complex, it should be noted that the volume of its annual production is 0.8 - 0.9 trillion dollars, including 70% of its accounts for the fuel and energy resources (Romanova, Kurakova & Ermakov, 1993).

All the raw materials of the country, including those with highly developed economies, at a minimum, maintain the current level of proven reserves and at the same time carry out intensive testing of their bowels.

To date, the industry for the extraction of fuel and minerals is characterized by intense impact on the environment, reflected in the movement of large volumes of rock, changing the hydrological regime of surface, ground and groundwater within the fairly large areas, disrupting the structure and productivity of the soil, activation of chemical and geochemical processes, and in some cases, the local climate change.

One of the priorities of the energy sector is to create a program of economic and environmental development.

Last century the number of publications on a program goals management grew. These questions became or the central object of consideration, or were mentioned among the common or special problems of management [Hilchevskaya, 1996].

The economic and ecological program is a set, the interconnected actions directed on achievement of the goals expressed through the corresponding indicators.

Development of programs is part of programming which subjects can be mistaken, set absolutely not eco-friendly purposes, and thus slow down process of a sustainable development.

Therefore, that ecological programming by a factor of a sustainable development was necessary that it was under construction on the following principles:

- Ecological orientation;

- Accounting of social justice;

- Accounting of economic efficiency.

The first principle assumes that ecological programming provides environmental friendliness with all captured program of activity causing decrease in negative impact of economic activity on surrounding environment. It is defined by means of the indicators characterizing number of the polluting emissions and dumping in surrounding environment reflecting their decrease.

Environmental friendliness is shown that environment becomes less polluted and, therefore, steadier against influences from economic activity of the person.

The principle of the accounting of social justice is shown in possibility of all population living in the territory of implementation of the ecological program to use the public benefits, improvement of a state of health of the population, reduction of quantity of diseases, decrease toxicity thrown out, in the atmosphere of the harmful substances influencing a state of health of the population.

Economic effect of implementation of economic and ecological programs from the point of view of market economy consists in ensuring necessary level of profitability at implementation of economic activity.

Rather economic and ecological programs lack of need to direct on the solution of environmental problems more and more material resources as these problems were solved earlier can become such effect. That is if to express through the relation, economic effect of implementation of the economic and ecological program is equal to the result relation in the form of the prevented damage expressed in money to costs of implementation of ecological programs.

The program of economic and ecological development as system of special purposeful events and the corresponding economic relations can be submitted as follows (Figure-2):

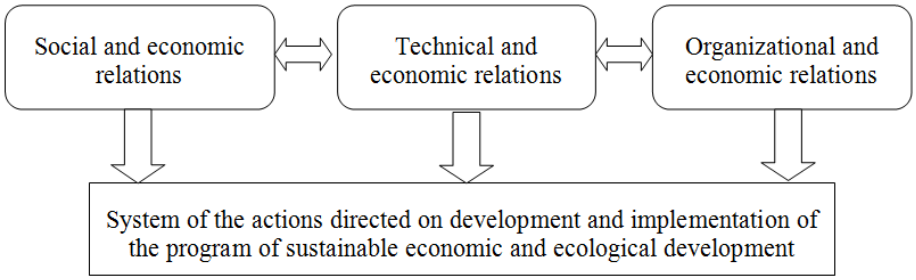

Fig. 2. Program of economic and ecological development

As Figure-2 specifies that concerning the program of economic and ecological development there are three types of the economic relations. Thus, we understand set of the social and economic, organizational and economic, technical and economic relations concerning formation as the program of economic and ecological development and implementation of economic and ecological programs which purpose is improvement of a condition of environment and receiving thereof positive economic and social effects. Behind these relations there is a system of the actions coordinated on resources, terms of implementation and performers.

Economic and ecological programming as a factor of achievement of an economic and ecological sustainable development reflects the economic relations arising on all life cycles of the economic and ecological program.

Programs of economic and ecological development promote improvement existing and to formation of the new relations in the sphere of environmental management. Increase efficiency of use in economic circulation of mineral and raw and fuel and energy resources, providing their rational redistribution.

Programs make positive high-quality changes to economic and social structures of the country and branch in particular.

The relations between subjects of economic and ecological programming are realized at all levels: enterprise, branch, states. For all levels of economic and ecological programming functions which contents is defined by the essence of programming are characteristic. The main of functions are brought in Table 1.

Table 1. Functions of the program of economic and ecological development

Name of function	Content of function
Scientific and technological function	opening of new eco-friendly ways of production and improvement of the existing.
Production function	stimulation of release of environmentally friendly production; production of eco-friendly materials.
Social function	improvement of conditions of activity of society; solution of problems of health care, ecological education and ecological culture.
Information function	providing with information on the existing environmental problems and ways of their decision.
Economic function	activization of processes of the optimum organization of economic activity; effective use of resources and decrease in resource-intensive production.
Nature protection and the nature-restoring function	preservation and protection of natural complexes; exception of negative impacts of economic activity on surrounding environment; improvement of quality of objects of environment; restoration of qualitative parameters of surrounding environment.
Organizational and administrative function	development of strategy of environmental management; organization and coordination of activities for protection and restoration of environment; monitoring and control of implementation of ecological programs.

At the level of the enterprise the program of economic and ecological development assumes development and realization of system nature protection and nature-restoring actions at the enterprise according to the purposes of a sustainable development of branch and the country. Thus, key properties of the program of economical and ecological development at the enterprise are:

- Susceptibility of the enterprise to positive and negative changes in surrounding environment;

- Readiness and ability to realization of nature protection and nature-restoring actions.

The program of economic and ecological development at the level of branch and the enterprise is defined by the state economic and ecological programming.

Tasks of the program differ with both the orientation, and the most acceptable period of their implementation. In the course of development of the economic and ecological program it is expedient to group tasks of two signs. First, on time of their implementation, considering need of ensuring their synchronization without what it is impossible to provide with complexity balance of development.

Important property of the program is its balance, both in time, and in space that provides a certain sequence of performance of the program actions proving the solution of objectives and achievement of an ultimate goal.

The economic and ecological program has to be complex, that is cover a subjective factor, production and environment. The listed properties create conditions for performance of the main function of the program.

At the following development stages of the economic and ecological program taking into account the system of the purposes and tasks, and also restrictions on consumption of resources proved at the first two stages, by means of system of economic-mathematical and ecological models generation of versions of the economic and ecological program, their formal and informal assessment and a choice of the best option is carried out. Development stages of the program of economic and ecological development are presented in Figure-3.

Implementation of the analysis of the existing situation and identification of social-and-ecological problems of the country or branch are the interconnected problems of development of the program of economic and ecological development which decision has basic value both for justifications of the purposes and tasks, and for definition of a set and sequence of concrete actions.

The social and ecological problem can be defined as set of negative processes and the phenomena, the economic or other activity caused by impact on a condition of surrounding environment or the natural reasons which are result of action.

Such important elements of information as are necessary for identification and the analysis of social-and-ecological problems: main sources of harmful effects on surrounding environment, zones (territory) of influence of these sources; objects of influence; types of impact on recipients; intensity and duration of influence; consequences of such influences. Procedures, identifications of social and ecological problems are based on comparison of the actual and limit threshold values of a number of indicators [Agafonov & Ilyasev, 1995].

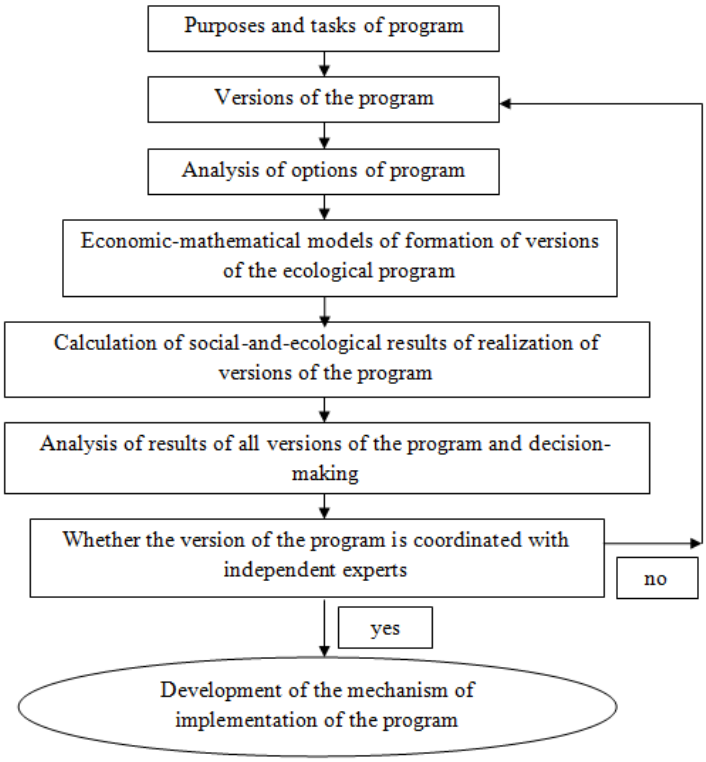

Fig. 3. Development stages of the program of economic and ecological development

The practical sense and purpose of programs of economic and ecological development consists in justification of the actions providing elimination or prevention of social and ecological problems. This purpose is realized if such actions are directed not on elimination of consequences, and on elimination of the reasons of emergence of such problems.

Thus, the above steps and tools for the development and implementation of economic-environmental programs can be considered as a system of economic and environmental development program, which is implemented in the framework of greening production of fuel and mineral resources.

Results and discussion

In the Republic of Uzbekistan in the conditions of modernization of the national economy one of the central problems is the rational approach to environmental management, the development of mineral resource base and improve the efficiency of subsoil use. The factors determining this increase include: domestic demand for fuel and energy resources, economic and social problems, the adequacy of the mechanisms of state regulation and support the development of fuel and energy complex. The factors leading to curb the development of the mineral resource base, you must include: reduced increase in reserves associated with the reduction of exploration complication and worsening conditions for oil, gas and coal, as well as the situation in world energy prices and increasing transport costs. All this makes us reconsider the strategy of development of fuel and energy complex of the country.

The coal industry as the energy industry is developing in relation to the oil and gas industry, power industry, is building its development strategy in accordance with the fuel consumption efficiency in thermal power plants. The coal industry has a sufficient resource base to fully meet the needs of the economy of Uzbekistan in primary energy. Coal industry occupies a key position in the fuel-energy complex of Uzbekistan. Because coal is the basis of primary energy required for the production of electricity and thermal energy, fertilizers, plastics and more. In recent years, the industry is characterized by a steady rate of growth in coal production and sales, as well as the positive dynamics of the main economic and financial indicators.

The country is a major consumer of fuel is the electricity sector, which accounts for over 85 percent of the total coal consumption. Demand for solid fuel is formed as industrial, social and communal areas the population.

It should be emphasized that, unlike the quickly rising in price of oil and gas, coal prices will be stable, as will involve more effective its reserves, to improve the economic organization of the sector and implements scientific and technological achievements in production, processing and transportation of coal.

Enterprises for extraction of fuel and mineral resources have a significant negative impact on all components of the environment: air, land and water resources, mineral resources. The dynamics of the main indicators characterizing technogenic impact on the environment shows that in recent years the gross discharges of wastewater and atmospheric emissions of pollutants, the total production of waste and the area annually disturbed lands increase. The share of polluted wastewater discharged into water bodies, and the production of waste to be placed in the outer dumps.

Greening the economic activities of enterprises for extraction of fuel and minerals requires consistent implementation of systems of technical and technological, organizational, administrative and resource regulatory measures that allow for a science-based regulation of

anthropogenic impact on the environment in accordance with the requirement to maintain a high level of public health, environmental quality and rational use of natural resources.

In the development of technical and technological measures to improve the level of ecological mineral resources should be guided by two main principles:

1. The basic requirement for any newly established or operated by the mining equipment and mining technology is its absolute environmental safety;
2. The preservation of the natural environment of human habitation has unquestionable priority over any technocratic solution of economic problems for the extraction of mineral resources.

Conclusion

Developed taking into account these principles can justify actions range of environmental, economic and social requirements of production technology of fuel and mineral resources, as well as form a scientifically based program for greening of natural resources.

In view of the above, the development and evaluation of interventions aimed at preventing or minimizing the environmental and economic and social damage caused by impacts on the environment during the production of fuel and mineral resources, as well as the formation on the basis of these measures for enterprise development options for the extraction of fuel and mineral resources and their ecological and economic evaluation are actual scientific task.

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IMPACT OF ADVERTISEMENTS EFFECTIVENESS ON CONSUMERS' BUYING PERCEPTION TOWARDS RETAIL OUTLETS IN GWALIOR CITY

Chandra Prakash Verma[1]

ABSTRACT

In current scenario, consumers have many options of a single product that is available in the market. Now, purchasing behavior of consumers are influencing by the different marketing techniques such as sales promotion, publicity, advertisement etc. He can choose any one of them among all. The form of advertisement has been using for the transmission of information dates back to ancient Greece and Rome. The invention of printing revolutionized the advertising but newspaper gave it the necessary medium for its rapid growth. Consumers' buying perception attempts to understand the decision-making process of buyers, both individually and in-group. It is necessary to examine consumer behavioral attributes, needs, lifestyles and purchasing behavior to devise good marketing plans and then make proper marketing- mix decisions. Online advertisement is a form of promotion that uses the Internet and World Wide Web for the expressed purpose of delivering marketing messages to attract customers. The present research paper tells us about an impact of advertisements effectiveness on consumers' buying perception towards retail outlets in Gwalior city.

Keywords: *Advertisement, Perception, Consumer Buying Behavior*

INTRODUCTION

Dattaram & Company pioneered the first Advertising in India in 1905 from Girgaon in Mumbai. Two English companies J. Walter Thompson and D.J. Keymer laid the foundation of Professional Advertisement Business (PAB) in India. The form of advertisement had used for the transmission of information dates back to ancient Greece and Rome. Criers and signs had used to carry information for advertising goods and services well before the development of printing. The upsurge in advertisement came after the development of printing in the 1450s. The 17th century was an important phase in the history of advertising. The first ad offering coffee had made in a newspaper in England in 1652. Chocolates and tea had first introduced through newspapers ad in 1657 and 1658 in England. The invention of printing revolutionized the process of advertising but newspaper gave it the necessary medium for its rapid growth.

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Customers' perception is typically affected by advertising, reviews, public relations, social media, personal experiences and another channels also. Self-perception theory attempts to explain how individuals develop an understanding of the motivation behind their own behavior. Two factors that shaped price perception were the perceived quality of the merchandise and price comparisons with merchants offering similar merchandise or services i.e. "It's good, and it's good for you." Many consumers are familiar with this phrase frequently associated with food advertising.

REVIEW OF LITERATURE

Customers' perception refers to the process by which a customer selects, organizes and interprets information or stimuli inputs to create a meaningful picture of the brand or the product. A three stages process translates raw stimuli into meaningful information. Each individual interprets the meaning of stimulus in a manner consistent with his/her own unique biases, needs and expectations. Three stages of perception are exposure, attention and interpretation (Zinkhan Arnold, 2002). The word retail had derived from the French word "retailer" meaning to cut the bulk. In other word, it implies a firsthand transaction with the customer. Most of the organized retailing in India have started recently and concentrated on metropolitan cities on a dormant sector largely due to lack of infrastructure for large scale retail, absence of product variety and a conservative Indian consumer (Levy M; Weitz B.A ;Pandit A; 2008). Retailing includes all the activities in selling goods or services directly to final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing (Kotler P; Keller L.K; Koshy A; Jha M; 2009). The concept of Retail as entertainment came to India with the arrival of malls. Mall, a one-stop destination is a set of homogenous and heterogeneous shops adjoining a pedestrian or an exclusive pedestrian street that makes it easy for shopper to walk from store to store without interference from vehicular traffic. The count of existing and upcoming malls in National Capital Region is more than any other Indian city. Therefore, this region is popularly known as "Mall Region" (Tanwar Samridhi, Kaushik Neeraj, Kaushik V.K; *2011)*. Besides the malls Big Bazaar, Reliance fresh, Easy day, Big-shop, Vishal Mega-Mart etc. are the most retail outlets in Gwalior city.

OBJECTIVES

1. To establish causal effect relationship between advertisements effectiveness and consumers' buying perception.
2. To provide a pathway for future researchers in retail industrial research.

RESEARCH METHODOLOGY

(i) Data collection;

(ii) The primary data had collected with the help of survey questionnaires of shop owners as well as customers in separate variables. Questionnaires have been prepared to know the Advertisements Effectiveness of retail outlets and to know Consumers' Buying Perception. Some questions were close ended with multiple choices to save the time. While some were open-ended questions. The sample size is 200 from convenient sampling techniques. Likert type scale had used in both questionnaires.

(iii) The secondary data had been obtained from different sources as books, articles, television' news, reports, magazines, published research papers in journals etc. in Gwalior city.

(iv) Statistical analysis of obtained data had done with the help of SPSS 20.00 trial version statistical software.

OBSERVATIONS AND RESULTS ANALYSIS

Reliability Analysis for All Items

For the reliability used Cronbach's Alpha, Split Half tests for calculate reliability of all items of Advertisements Effectiveness and Consumers' Buying Perception of the questionnaire.

Table: Reliability Measurement

Variables	Reliability Method		Results
	Cronbach's Alpha	Split Half	
Ads Effectiveness	.878	.627	Questionniare-1 Highly Reliable
Consumers' Buying Perception	.799	.786	Questionniare-2 Highly Reliable

The standard value of Cronbach's alpha is 0.7 and obtain value of Cronbach's alpha for Advertising Effectiveness variable i.e. 0.878 similarly for consumers' buying perception i.e. .799 are good and it can be seen that in almost all the reliability values is quite higher than the standard value. Same condition applying for split half value also obtain values are quite higher than standard value, indicate that both questionnaire are highly reliable.

Normality Analysis

The table given below presents the results from two well-known tests of normality, namely the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test. The Shapiro-Wilk Test is

more appropriate for small sample sizes (< 50 samples) but can also handle sample sizes as large as 200. Due to this consideration, Shapiro-Wilk test is used to assessment of normality, as numerical means of assessing normality has done in this study.

Table: Tests of Normality for Advertisement Effectiveness and ConsumerS' Buying Perception

	Kolmogorov-Smirnov[a]			Shapiro-Wilk			
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**	***Test Results***
Ads Effectiveness	.188	199	.185	.889	199	.274	**Normally Distributed**
Consumers' Buying Perception	.274	199	.098	.768	199	.081	

a. Lilliefors Significance Correction

The entire table shows that data normally distributed with insignificant level of KS (Kolmogorov-Smirnov) value i.e. 0.185 for Advertisements Effectiveness and 0.098 for consumers' buying perception. This obtained insignificance value of the Kolmogrov-Smirnov and Shapiro-Wilk Test is greater than 0.05, indicate that data is normally distributed.

Linear Regression Analysis of Advertisements Effectiveness and Consumers' Buying Perception

$H_0$1. There is no momentous impact of Advertisements Effectiveness on Consumers' Buying Perception

The linear regression is calculated by accept the sum of Advertisements Effectiveness variable and Consumers' Buying Perception variable using SPSS latest version software. In this assessment, Advertisements Effectiveness use as an independent variable and Consumers' Buying Perception is use as a dependent variable.

Table: Linear Regression Analysis of Advertisements Effectiveness and Consumers' Buying Perception

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.549[a]	.526	.508	7.02423	1.813

a. Predictors: (Constant),Advertisements Effectiveness

b. Dependent Variable: Consumers'Buying Perception

Table: Regression Analysis of Advertisements Effectiveness and Consumers'Buying Perception

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3680.633	1	3680.633	107.588	.000[a]
	Residual	24571.255	198	49.340		
	Total	28251.888	199			

a.Predictors:(Constant),Advertisements Effectiveness

b. Dependent Variable: Consumers' Buying Perception

Table: Regression Analysis of Advertisements Effectiveness and Consumers' Buying Perception

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	29.955	1.524		33.097	.000
Advertisements	.228	.026	.549	11.637	.000

a. Dependent Variable: Consumers' Buying Perception

Y=a + b x + error

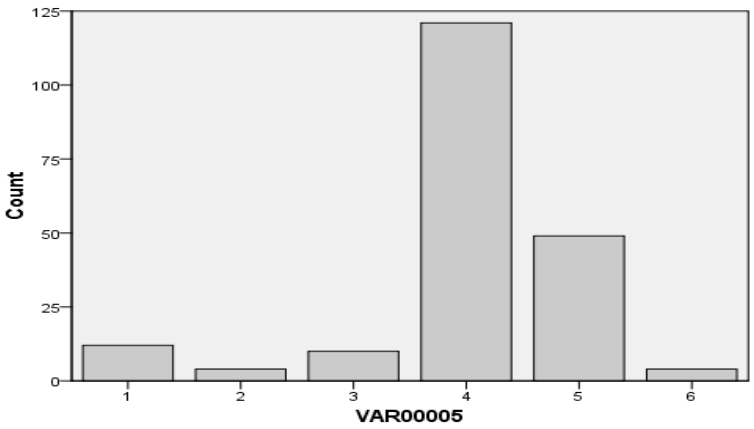
Consumers' Buying Perception = 19.955 + .228 (Advertisements effectiveness) +error

X= Advertisements Effectiveness (independent variable)

Y= Consumers' Buying Perception (dependent variable)

The value of F is showing 107.588 i.e. significant at 0% level indicating our model is good fit and value of t is 11.637 which are also significant at 0% level. R square value is .526 with beta value .549 indicates 52.6% of variance explained by Advertisements Effectiveness towards Consumers' Buying Perception. It shows relationship between Advertisements Effectiveness as independent variable and Consumers' Buying Perception as dependent variable is significant. Hence, the null hypothesis **cannot accept** by the result of regression analysis but alternative hypothesis i.e. "There is significant impact of Advertisements Effectiveness on Consumers' Buying Perception" accepted.

Frequency Analysis with Bar Diagram for the Most Favorite Retail Outlet



S. No.	Outlets' Name	Total Frequency	Percentage Frequency
1	Vishal Mega-Mart	12	6.0%
2	Easy day	4	2.0%
3	Supermarket	10	5.0%
4	Big Bazaar	121	60.5%
5	Reliance Fresh	49	24.5%
6	More for Less	4	2.0%

Result: The most favorite retail outlet in Gwalior city is Big Bazaar counting 121/200 (60.5%) in comparison to the next counted outlets as Reliance fresh 49 (24.5%), Vishal Mega Mart 12 (6.0%), Supermarket 10 (5.0%), Easy day 04 (2.0%) and same as other. Because of the preference of most of the consumers, Big Bazaar is one of the most selected retail outlets as its value is obtaining by frequency analysis through statistical software. The other retail outlets which also preferred in order to their preferences as by consumers are Reliance fresh, Vishal Mega-Mart, Supermarket and Easy Day or More for Less.

CONCLUSION

The Researcher found positive impact of advertisements effectiveness with respect to the retail outlets among consumers in advertized retail outlets on consumers' buying perception positively. It has tested through the p value .000 by regression analysis. It means that advertisements work as backbone of any retail business; researcher found 53% association between advertisements effectiveness and consumers' buying perception towards retail outlets in Gwalior city.

As various philosophers have already discussed that, the changed new mentality of consumers is the basic reason of growth of retail industry in India that is creating by advertisements. In Gwalior city, it has been seeing that the consumers spend a significant amount of his monthly retail budget in retail outlets. Most of the consumers find the retail outlets very reasonable in product's price rate. The other facts also the reason of moving customers towards retail outlets are references of friends or relatives, publicity and advertisements. In contrary towards the expectations, all age groups from children to the senior citizens, consumers are equally affecting by advertisements effectiveness. Therefore, it is summarizing that the advertisements in retail sector affects more or less all consumers respectively.

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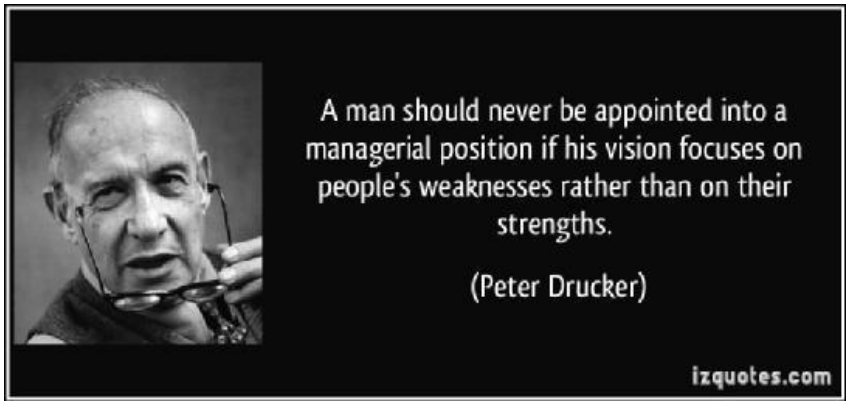

ORGANIZATIONAL-ECONOMIC MECHANISMS OF MANAGEMENT OF MANUFACTURING DIVERSIFICATION IN THE COMPANIES OF TEXTILE INDUSTRY

Sultanov Akbar Anvardjanovich[1]

ABSTRACT

This article examines the issues of strengthening macroeconomic stability while making further improvement of the competitiveness of the economy by expanding and deepening of structural reforms, modernization and active diversification of the leading industries, as well as investment activities and complex development of the regions. Moreover, identified main areas of production of light industry goods and increase of the export potential of the enterprises in the conditions of modernization of the national economy are diffused as a major feature of the research. The recommendations were given for the formation of effective mechanisms for further reform, structural transformation and diversification of the enterprises of light industry. Summarized analyses of the paper could be diffused in the future investigation as whole.

Keywords : *diversification, modernization, improvement of competitiveness, localization of production and infrastructure.*

Introduction

Diversification and modernization of production, creation of high-tech products with high added value and increased competitiveness and strengthened position in the global market are located at the heart of economic policy reforms conducted in Uzbekistan. The main economic feature of the industry at present and in the longer term is a sharp increase in the productivity of social labor, which is the main criterion for the effectiveness of investment and new technology. Increasing the productivity of social labor or reduce unit costs - the main source of growth of national income and savings in our country, and ultimately enhance the base material well-being of the people **(Ajwad et al., 2014)**.

Over the past ten years in the textile industry development in Uzbekistan and abroad have been significant changes. The first changed the role and place of this industry in the

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system of light industry enterprises. On the one hand, it has undergone a change in raw material base of the textile industry, which could not but affect the nature of the process technology, the variety and quality of products the industry and technical - economic performance of its businesses. On the other hand, there have been qualitative changes in the technical base of the textile industry, which occur under the influence of raw material base restructuring, and as a result of technological progress in the textile machine industry **(Calhoun, 2013)**.

Enactment of an active investment policy, technical modernization of industries and industrial infrastructure enabled the creation of new high-tech industries in Uzbekistan, such as automotive, gas-chemistry, electrical engineering, mechanical engineering, construction materials, pharmaceuticals, furniture industry etc **(McNamara, 2002)**.

Particularly noteworthy serious qualitative changes in recent years in the economy. Because of the adoption and implementation of a coherent industry priority development programs for 2011-2015 and industrial programs on modernization, technical and technological renewal of the production, largest share of total volume of capital investments belong to the enterprises. The increasing role of small business and private entrepreneurship indicate the progressive changes in the structure of the economy of Uzbekistan. Nowadays they create about 55.8 percent of GDP, compared to 31 percent in 2000.

The share of small businesses now account for 23 per cent of the total volume of industrial output, almost the entire volume of market services, 18 per cent of exports, 75 per cent of total employed in the economy. Despite its small sizes, these businesses play an increasingly important role in the sustainable development of the economy, solving the problems of employment and the growth of people's welfare. Industrial policy in Uzbekistan is implemented with an emphasis on exports. To date, the production of non-primary goods is competitive and is increasingly oriented to exports. Studies show that the greatest returns are obtained by supporting the exports of finished products, and particularly exports of sophisticated high-tech products (Akimov & Dollery, 2009).

Background of study

The modernization, technical and technological renewal of production is the most important precondition for entering a qualitatively new level of development.

Uzbekistan has adopted a program of measures for structural reforms, modernization and diversification of production for 2015-2019, which envisages the implementation of 846 investment projects worth $ 40.81 billion.

The Programme was approved by the Presidential Decree of Islam Karimov «On the Programme of the measures for structural reforms, modernization and diversification of production for 2015-2019 years» on March 4, 2015.

In the framework of this program Uzbekistan is implementing 846 investment projects on modernization, technical and technological renewal of production with total worth of $40.809 billion.

It is expected that the program will provide an average annual growth of GDP during 2015-2019 years at a rate of not less than 8% and that of industrial production - 9%.

Thus, the share of industry in GDP of Uzbekistan will increase from the current 24% to 27% in 2020.

In 2015, Uzbekistan has invested nearly 100 new product groups (about 1,000 kinds of product lines) and annual production and export potential of the industry will be increased by 18 bln. soums and US $ 2 billion by 2020.

Uzbekistan plans to implement 124 investment projects on modernization, technical and technological renewal of production, as well as 48 new promising investment projects involving foreign investors in the fields of geology, fuel and energy sector, chemical, petrochemical and metallurgical industries.

Almalyk and Navoi mining and metallurgical plants are planning to implement 41 projects on modernization, technical and technological renewal of production.

In the fields of engineering, automotive and electrical industry, standardization of products 77 projects will be implemented. Uzbekistan plans to create new and expand existing facilities jointly with technological leaders in import substitution of agricultural machinery, trucks, parts and accessories.

Joint Stock Company (JSC) "Uzeltehsanoat" plans to implement 39 new investment projects with a total worth of $ 268.5 million, and JSC "Uzstroymaterialy" - 11 projects.

State Joint Stock Company (SJSC) «Uzbekengilsanoat» implements 58 projects for the creation of new and modernization, technical and technological renewal of existing production facilities, as well as 21 perspective projects jointly with foreign investments.

Association "Uzbekcharmpoyabzali" plans to implement 61 investment projects to produce leather and modern models of shoes, which are in high demand in external markets.

In the framework of this decree, Association of food industry enterprises plans to implement 304 projects for the total amount of $ 410 million, targeted at creating facilities for the storage and processing of agricultural products based on modern technologies of sublimation, deep-freezing, vacuum packaging and so on.

During 2015-2019 SJSC "Uzfarmsanoat" is planning to implement 22 investment projects, including - production of empty vials, tubes, cannulas for single use needles for metal medical devices, injectable solutions, dry wastage medicines, tablets, capsules and sachets, herbal substances to produce medicines, and others.

The main directions for development of the diversification of industrial activities: the main results of production of light industry goods.

Among the known methods of reforming of the light industry companies the most effective one is changing their structure and nomenclature of the products, i.e. diversification. Experience of foreign countries with highly developed economies has shown that diversification stabilizes the functioning of the organization, reduces their dependence on the conditions of individual markets, and provides a strong base supported by various groups of consumers.

Diversification of production can and should be considered as one of the strategic alternatives to long-term planning of development of light industry.

The textile industry is one of the most developed industries of Uzbekistan. The industry produces yarn, filaments, harsh and finished fabrics. Manufacture of knitted garments: clothes and household goods also developed. The importance of development of this sector of the economy for Uzbekistan is primarily related to the availability of own raw materials (cotton, silk, wool), as well as a relatively labor-intense textile industry, which is important in terms of addressing the issues of employment and rising living standards of population(Nord\a as, 2004).

World experience shows that under favorable conditions, the development of the textile industry can be explosive. While due to the deep processing of raw materials there will be a significant increase in value added, thus increasing the incomes of the population, enterprises and the state, as well as to ensure high growth rates of exports and reduction in imports (of finished garments).

Light industry of Uzbekistan during the years of independence has taken its strong position in the macroeconomic sector of the country. Through favorable conditions, privileges and preferences solid legal basis established under the leadership of President Islam Karimov, the enterprises of sector achieved significant success and reach qualitatively new stages of development (Abdukarimov B.A, 2013).

Thus, since independence of the Republic of Uzbekistan, the role of light industry in the economy of Uzbekistan has significantly increased, and its share in GDP - 3.8%, in the volume of industrial production - 26.2% and in the volume of production of non-food consumer goods higher than 44%.

Share of domestic processing of cotton fiber out of total production of cotton in the country increased from 7% in 1991 to 35% in 2014(Djanibekov, Rudenko, Lamers, & Bobojonov, 2010).

Only in the last 3 years, 92 industrial plants were put into operation, with a total value of 575.3 million USD, with export potential of 215.8 million USD, which created more than 11.6 thousand jobs, including the following:

- Kokand textile mill created Joint Venture «Indorama Kokand Textile» (project cost 110 million USD), production capacity of 29 thousand tons of yarn per year.
- "Uzteks Group" together with "Capital Suisse" (Switzerland) organized the production of 12 thousand tons of cotton yarn per year in the Khorezm region, the total cost of the project amounted to more than 50 million USD.
- Former PO "Uzbektekstilmash" Swiss company "Maschinenfabrik Rieter AG" created FE "Rieter Uzbekistan", which makes the belt, carding, ring spinning machines, because of which textile machinery in the country was restored at modern levels(Ghatak, 2003).

Production indicators of «O'zbekyengilsanoat»: the export of products, implementation of the localization program and investment programs.

In the framework of the implementation of tasks, JSC «O'zbekyengilsanoat» and its enterprises ensured the production of consumer goods for 1.3271 trillion UZS in 2015, the growth rate of the corresponding period of last year constituted 125.9%, the volume of industrial production amounted to 3.1597 trillion UZS with a growth rate of 122.0%.

In physical terms, the main range of products were produced in the following amounts: cotton yarn - 307.1 thousand tons (growth rate of 119.1%); Cotton fabrics – 182.9 million square meter (118.1%); knitted fabric - 53.0 thousand tons (111.1%); jerseys - 218.3 million units (144.3%); hosiery - 38.9 million pairs (133.2%); ready-made garments - 29.1 billion UZS (126.1%); nonwovens - 37.0 million sq. m. m (113.8%); strands of raw silk - 1077.7 tons (118.0%); cotton wool - 27.5 thousand tons (108.3%).

One of the ways to achieve the objectives for the full provision of the domestic market has been the development and production of new assortments, increase of production volumes that meet international standards in accordance with market demand.

In 2015, the enterprises of the industry produced new goods for 75 types of light industrial products. Mastered and produced 34.9 million square meters of cotton fabrics (filter cloths, avizent, tent cloth, canvas cloth, waffle, technical fabrics, denim and so on), 164 models of ready-made garments and knitwear in the amount of 20.5 million units. The total number of new products constituted more than 205.0 billion UZS.

The volume of exports amounted to 865.1 million USD for 2015. The share of finished products (315.9 million US dollars.) in total exports was 36.5%.

The decline in market prices by 15 - 20 percent for the products against the same period of last year significantly impacted export indicators.

New products: compact yarn, tent cloth, terry garments, home textiles, Melange yarns, poplin, technical fabrics, baby diapers, labels and other were exported to about 50 countries of the world (Calhoun, 2013).

The works on the development of the geography of exports are conducted on an ongoing basis, the search for alternative markets (Europe, America and Southeast Asia), considering sustainable and increasing demand for cotton products in the world commodity markets. In the current year, the new markets in countries such as Canada, Colombia, Saudi Arabia were reached. More than 13 textile companies supply products to China. Currently there are more than 40 dealer offices of large enterprises - exporters in the EU, the CIS and Asia.

By the end of 2015, 9 projects of localization of finished goods produced in the amount of 14.8 billion. UZS, while the forecasted amount was 14.6 billion. UZS which constitute in percent 101.3%

JSC "O'zbekyengilsanoat" implemented 29 investment projects attracted foreign investment totaling 182.3 million. USD. delivery was 174.8 million. USD., i.e. execution amounted to 100.6%.

Permission for use granted to 33 new enterprises and 2685 new jobs were created. Production capacities created to produce 41.4 thousand tons of yarn, finished products - 16.0 million pieces.

Methodology of management of the diversification activities of industrial enterprises.

The analysis showed that in economics there is no comprehensive theoretical study on the problems of diversification of the activities of management of industrial facilities and, therefore, there are some shortages in the theoretical and methodological basis for the organization and management of the diversification process.

It should be noted also that currently it is required to develop a new conceptual approach to the management of the diversification of industry actors based on the priorities of development and partnership between the subjects (participants) of economic sectors.

Significant production potential of industrial enterprises in the region, active work of university research, industrial research institutes, existing innovation infrastructure organizations (foundations, agencies, technology parks, centers of new technologies and others) maybe conductive to the enhancement of diversification processes.

In our opinion, the main prerequisites for planning on the diversification of the company, taking into account regional factors, are the following:

- The competitive advantages available to the company for the implementation of the diversification strategy in the regional market;

- The availability of programs and mechanisms for penetration of the regional market;

- The possibility of forming (changing) the concept of enterprise management on a regional scale, as well as the separate functional strategies of enterprise (financial, sales, R&D etc.).

Abovementioned factors of competitive advantages during diversification interact with each other, creating a systemic effect. This can be reflected in the proposed transformed model of management of diversification of the industrial enterprises (Figure 1):

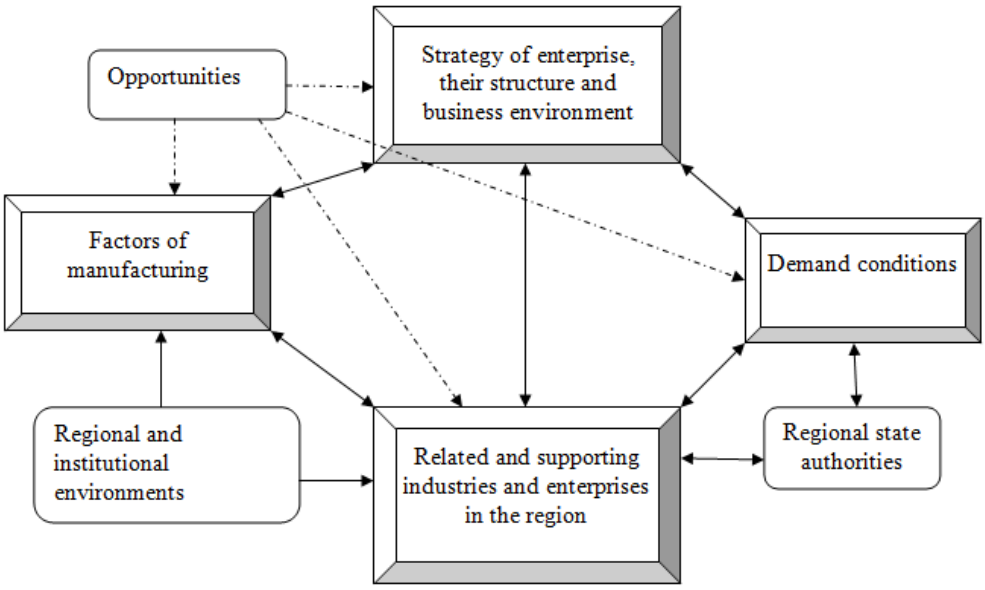

Figure 1. Transformed model of management of diversification of the industrial enterprises

The model includes regional subjects of environment, which represent consumers (individuals and entities) that form the demand for goods and services, that can be satisfied by the industrial enterprises during the diversification of its activities.

To achieve a competitive advantage in the implementation of the diversification strategy it is necessary to coordinate the activities of enterprises in the region, which assumes the exchange of information, allocation of responsibilities and coordination of efforts in this direction (Djanibekov & others, 2008).

The effectiveness of the coordination of actions in the process of diversification of the regional market will be achieved with the creation of the organization to coordinate the interaction of stakeholders in the diversification of subjects, where the key role will be played by the transaction. Local executive authorities may take some steps to studying the demand in the region, based on the prospects of its development, and in part solving organizational issues with the representatives of related and supporting industries, as well as the institutional

structures of the region, and the latter - will choose the strategy of participation in supporting of the diversification of enterprises.

Diversification management is based on microanalysis, which is based on information about companies, customers, competitors and partners, and the strategy itself considers intra-organizational changes, market conditions and management of interactions. The implementation of such a paradigm shift will require study of the management process in an environment of an integrated organization, capable to realize the diversification management activities of an enterprise.

During diversification activities, the business subjects rely on accumulated experience of management of their main businesses for organization of the business-units related to their main activities and enhancing the overall capacity of these business units. In our opinion, one of the main factors of effective management will be the study of the internal potential of the diversifying organization.

Thus, choosing a policy of active diversification of activities, it is necessary to start with the development strategy, comprehensively taking into account the economic factors of production of industrial enterprises, the potential of organizations - participants, the region's needs in the development of processes of change, the accumulated potential industrial complexes, investment and innovative business environment.

The conceptual approach to the management of the diversification of enterprises suggests its consideration as an essential element in the totality of the economic and administrative relations, emerging and providing interaction between the actors in the region. Therefore, to achieve integrated effect it is necessary to have theory and methodology of functioning of the diversification process management systems.

Process management concept of diversification of industry, based on a client-oriented approach to the interaction of the subjects of the regional economy, will deliver the results that meet business diversification motives.

Competitiveness factors and problems of the textile sector development. Prospects for the development of light industry products based on diversification.

Prospects for the development of textile industry of Uzbekistan depend on its competitiveness. In this regard, it is important to analyze the factors of competitiveness and the existing problems of textile and garment enterprises.

Due to the introduction into the industry, high-performance modern technology, exports increased by 120 times and by the end of 2015 remained at the level of 1.0 billion USD, compared to 7.0 million USD in 1991. Currently, enterprises of “O'zbekyengilsanoat” export their products to 45 countries, and geography of sales is constantly expanding.

Special attention should be paid to the fact that to date, enterprise production capacity of JSC "O'zbekyengilsanoat" add up to 450 thousand tons of spinning; weaving - 296 million square meters of fabric; knitted fabric release - 90 thousand tons; sewing and knitting - 270.2 million pieces of knitted products.

By 2020 JSC «O'zbekyengilsanoat» plans to increase industrial production by 3 times, including cotton yarn - by 2.5 times, finished fabrics - 2.8 times, silk fabrics - 2.7 times, non-woven materials - 1.5 times, knitted fabric - in 2,7 times. Consequently, production of finished products with higher added value will be also increased.

Conclusion

Consequently, production of finished products with high added value will be increased, including garments by 3.2 times, knitwear - 2.1 times, production of raw silk - 2.1 times. If the volume of fabrics manufacturing was 85.63 million sq.meters in 2011, then in 2020 this figure should reach 459.2 million sq.meters, with an increase of - 5.4 times.

Among the priorities of JSC «O'zbekyengilsanoat» - further development of the textile industry, in particular, the production of finished fabrics and clothing, as well as the creation of new production facilities together with «Uzkimyosanoat» for artificial and synthetic fibers and filaments.

A further enhancement of competitiveness of the economy by expanding and deepening structural reforms, modernization and active diversification of the leading industries creates preconditions for better satisfying the needs of consumers of the products of industrial enterprises, the greater the market share and access to the new segments and consistent expansion of market horizons. At its base it is possible to generate competitive advantages of enterprises, improve the competitiveness of certain types of facilities and activities, as well as the competitiveness of the enterprise as a whole.

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DEMONETIZATION AND ITS IMPACT ON INDIAN ECONOMY

S.K.Govil[1]

Demonetization is the act of stripping a currency unit of its status as legal tender and it is necessary whenever there is a change of national currency. The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

Recently this year in 2016, the Indian government decided to demonetize the 500- and 1000- rupee notes, the two biggest denomination notes. These notes accounted for 86% of the country's cash supply. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy. By making the larger denomination notes worthless, individuals and entities with huge sums of black money gotten from parallel cash systems were forced to convert the money at a bank which is by law required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of 200% of the tax owed was imposed. This move has taken the country with surprise. It is for the government to tackle the menace of black money. I think that this is a very welcome move by the government and which has taken the black money hoarders with surprise.

A popular example of demonetization occurred when the nation of the European Monetary Union adopted the Euro. In order to switch to the Euro, authorities first fixed exchange rates for the varied national currencies into Euros. When the Euro was introduced, the old national currencies were demonetized. However the old currencies remained convertible into euros for a while so that a smooth transition takes place through demonetization.

The total value of old Rs. 500 and Rs. 1000 notes in the circulation is to the tune of Rs. 14.2 trillion which is about 85% of total value of currency in circulation. This means that the total cash has to now pass though the formal banking channels to get legitimacy.

The world bank in July 2010 estimated the size of the shadow economy for India at 20.7% of the gross domestic product (GDP) in 1999 and rising to 23.2% in 2007. Assuming that this figure has not risen since then (quite unlikely though) and that the cash component of the shadow economy is also proportional (it could be higher) the estimated unaccounted value of the currency could be to the tune of Rs. 3.3 trillion. Now post the announcement of demonetization by the government this money would have to either accounted for by paying the relevant tax and penalties or would get extinguished. There are higher chances of larger currency getting extinguished as the tax rate and subsequent legal issues could be prohibitively high for such money.

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The most affected sectors by demonetisation because of the high level of cash spending.

are– Pharma, FMCG, Education, Agriculture, Hospitals, Energy and Telecommunication. Modi-haters will hate him more, but it will be a watch game for all of us to see what he comes up with next.

Luxury items will have a drastic negative impact. Majority of the people spend their undeclared income on such products. After the decision, it is likely that all luxury segments like clothing, electronics, luxury car, furnishing and allied business will take a hit. Media and hospitality industries are also likely to get affected.

Demonetization affects the economy through the liquidity side. Its effect will be a telling one because nearly 86% of currency value in circulation was withdrawn without replacing bulk of it. As a result of the withdrawal of Rs 500 and Rs 1000 notes, there occurred huge gap in the currency composition as after Rs 100; Rs 2000 is the only denomination.

Absence of intermediate denominations like Rs 500 and Rs 1000 will reduce the utility of Rs 2000. Effectively, this will make Rs 2000 less useful as a transaction currency though it can be a store value denomination.

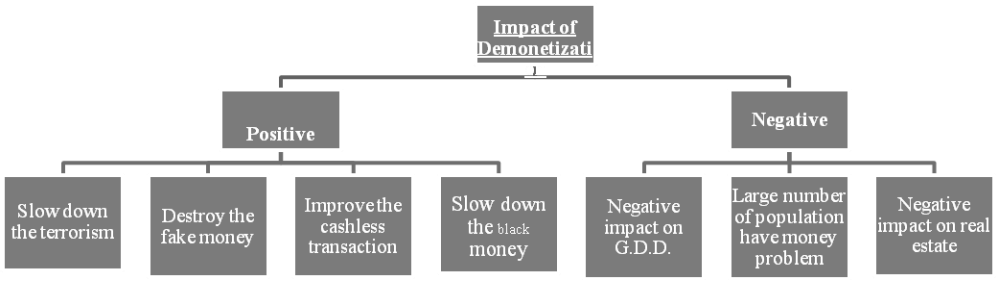
Demonetization technically is a liquidity shock; a sudden stop in terms of currency availability. It creates a situation where lack of currencies jams consumption, investment, production, employment etc. The intensity of demonetization effects clearly depends upon the duration of the liquidity shocks. Following are the main impacts.

1. Demonetization will act as a liquidity shock that disturbs economic activities.
2. **Liquidity crunch (short term effect):** liquidity shock means people are not getting sufficient volume of popular denomination especially Rs 500. It constituted to nearly 49% of the previous currency supply in terms of value. Higher the time required to resupply Rs 500 notes, higher will be the duration of the liquidity crunch.
3. **Welfare loss for the currency using population:** Most active segments of the population who constitute the 'base of the pyramid' uses currency to meet their transactions. The daily wage earners, other labourers, small traders etc. uses cash frequently. These sections will lose income in the absence of liquid cash. Cash stringency will compel firms to reduce labour cost and thus reduces income to the poor working class.There will be a bad effect of the liquidity chaos to the higher income people with time.
4. **Consumption will be hit:** Consumption is going to be adversely affected first, when liquidity shortage strikes.

   Consumption ↓→ Production ↓→ Employment ↓→ Growth ↓→ Tax revenue ↓

5. **Loss of Growth momentum-** There is a risk for India becoming fastest growing largest economy: reduced consumption, income, investment etc. may reduce India's GDP growth as the liquidity impact itself may last three -four months.
6. **Impact on bank deposits and interest rate:** In the short term deposit may rise but in the long term, its effect will come down. The people store liquid cash with the banks as their savings and it is difficult to assume that such ready cash once stored in their hands will be put into savings for a long term. They saved this money into banks just to convert the old notes into new notes. These are not voluntary savings aimed to get interest. It will be converted into active liquidity by the savers when full-fledged new currency supply take place. This means that new savings with banks is only transitory or short-term deposit. It may be encashed by the savers at the appropriate time. It is not necessary that demonetization will produce big savings in the banking system in the medium term. Most of the savings are obtained by big public sector banks like the SBI. They may reduce interest rate in the short/medium term, but they can't follow it in the long term.
7. **Impact on black money:** Only a small portion of black money is actually stored in the form of cash. Usually, black income is kept in the form of physical assets like gold, land, buildings etc. Hence the amount of black money countered by demonetization depend upon the amount of black money held in the form of cash and it will be smaller than expected. But more than anything else, demonetization has a big propaganda effect. People are now much convinced about the need to fight black income and such a nationwide awareness and urge will encourage government to come out with even strong measures.
8. **Impact on counterfeit currency:** the real impact will be on counterfeit/fake currency as its circulation will be checked after this exercise.

Demonetization as a cleaning exercise may produce several good things in the economy. At the same time, it creates unavoidable income and welfare losses to the poor sections of the society who gets income based on their daily work and those who doesn't have the digital transaction culture. Overall economic activities will be dampened in the short term. But the unmeasurable benefits of having more transparency and reduced volume of black money



Conclusion :

Demonetisation would be positive for sectors like banking and infrastructure in the medium to long term and could be negative for sectors like consumer durables, luxury items, jewellery, real estate and allied sectors, in the near to medium term. It can also lead to improved tax compliance, fiscal balance, lower inflation, lower corruption, complete elimination of fake currency, a step for sustained economic growth in the longer term.

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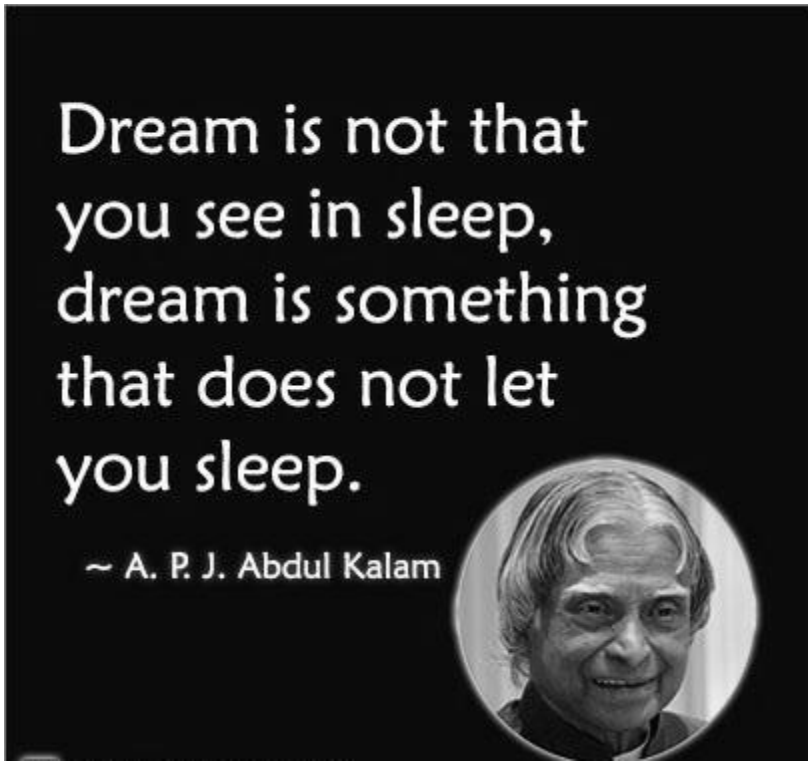


MAJOR ASPECTS OF INFORMATION BASE FOR LAND ASSESSMENT

Abdullaev Zafar Sayfutdinovich[1]

ABSTRACT

In this article, major aspects of information base for land assessment has analyzed with the current condition and possible development perspectives. In addition, background of the paper makes focus on both theoretical and practical establishment of the sector in Uzbekistan. In conclusion, paper highlights on outcomes and shortcomings of the issue with positive solutions as whole.

KEYWORDS: *Land valuation, information, assessment, land policy*

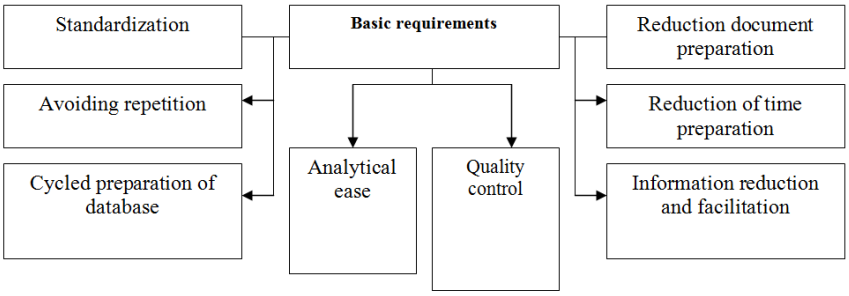
INTRODUCTION

In Uzbekistan, the way of development has been improving significantly in recent years. Moreover, land assessment operatives and the way of policy construction require special mechanism of it. Land resources and acceptance of them in various directions make their algorithm complicated one.

Assessment of object has its unique features, while each of them require specific certification and documentation, it takes extra tasks. In this case , first of all informative-analytic clarities need to be tackled as whole (Abdullaev, 2003).

Information based assessment of land resources in the market oriented base require step-by-step development. Moreover, value of the land resources also considered as a vital aspect (Andrade & Stigter, 2009).

First and foremost, factors of analytical assessment over the innovative ways of deployment require database of it. Land assessment and creation of information database works with the help of basic requirements at all (1 -picture).



1-PICTURE. ASSESSMENT OF LAND RESOURCES AND REQUIREMENTS TOWARD INITIAL PROCEDURES.

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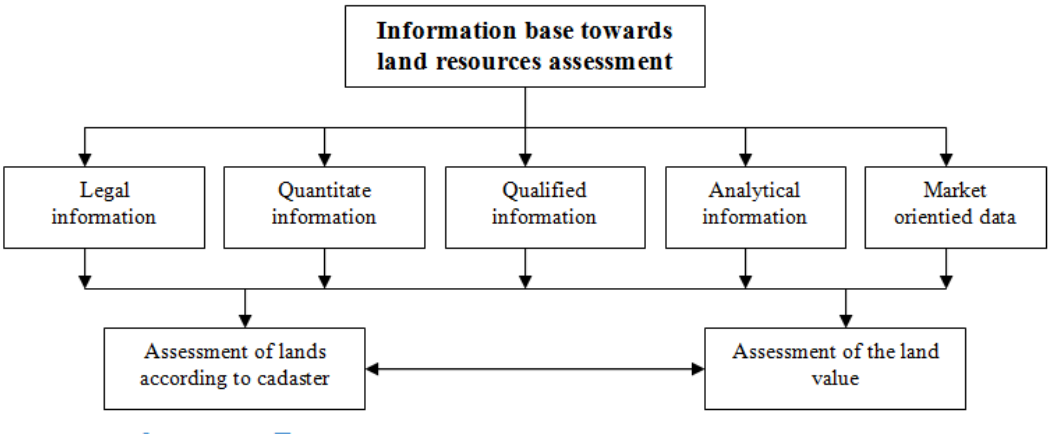
According to above mentioned steps, initial procedures should be followed by arrival of data, making usage of them and control over the steps. Consequently, all ingredients of the cycle should be established as classification that directed into one systemized purpose. The way of totalized groups could be illustrated as following (2-picture).



2-PICTURE. THE MAJOR GROUPS OF LAND RESOURCES ASSESSMENT.

Assessment of land resources of the preliminary analysis of the information in the above-mentioned groups on the cadastral value of the land in total, as well as on individual based evaluation. This is, first and foremost, the legal information relating to the object and to assess the value of the information. At the same time, it should be noted that the assessment of what is planned, regardless of the type of general nature(A. V. Akimov & Dollery, 2006).

On the other hand, market analysis and information on the individual characteristics of the specific land route, aimed at ensuring the implementation of the assessment value. At the same time, the general and individual specific information is directed to assess the value of land resources, land areas with the lowest cost of land cadastral valuation. Moreover, land evaluation according to individual market price and the market price should be possible to change the assessment of the value into the different perspectives(Kandiyoti, 2003).

Synergy on this procedure facilitate the task in the existence of standardization of information, parallelism of preparation and avoiding repetition as whole.

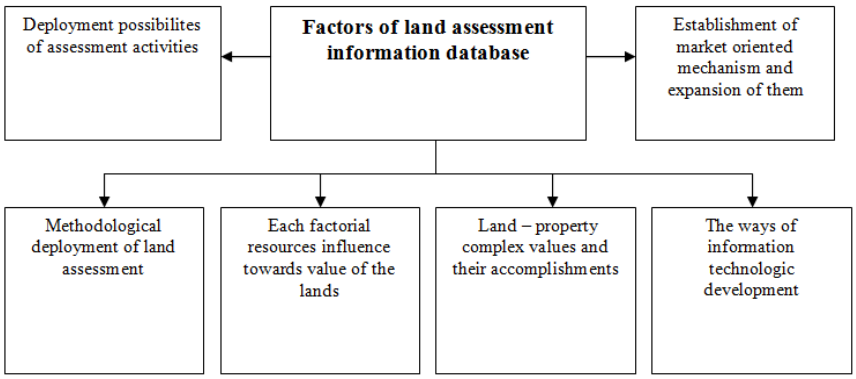
Moreover, reductions on time, intensifying the quality and making mechanism of the procedure make better results relatively.

The system of land assessment require us information base and development of total directions must collocate together with the collaboration as whole:

- Following information bases and making development of database in the assessment of land resources;

- First and foremost, most used information database of the land should be standardized and unified;
- The aspects of the land values should be analyzed and constituents of them need to be observed at all.

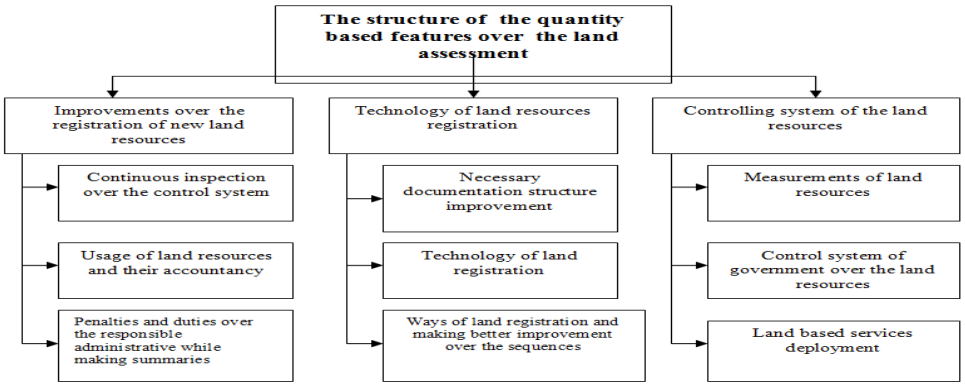
The innovative database towards value of the land assessment system is constructed through various factors (3- picture).



3-PICTURE. THE MAJOR FEATURES OF INFORMATION DATABASE OF LAND RESOURCES

In the case of advancement, new types of information toward database, attraction of the new land resources, assessment of the land values, categorize of land resources are considered as major ones (A. Akimov & Dollery, 2009).

Assessment of the land resources with the detailed attention on information database needs to be analyzed intensely. Quality control, assessment toward quantity and others should be noticed as a vital feature of deployment (4-picture).



4-PICTURE. THE MAJOR QUANTITATE FEATURES OF ASSESSMENT OBJECT

Registration and development of the land usage and their quality control are considered as a major feature. The ways of advancement involve following steps:

- Lots of doubtfull issues of land registration in the republic point of view;
- The way of separation on land usage and its points in the development perspectives;
- Special classification lackages and major features of standards could be seen as a major ones.

The evaluation process to assess the work in this direction to improve the knowledge base by attracting additional volumes of information to help shape the value of the land cost and improving the utilization of opportunities to increase the value of these factors must be taken into account (see Figure 5).

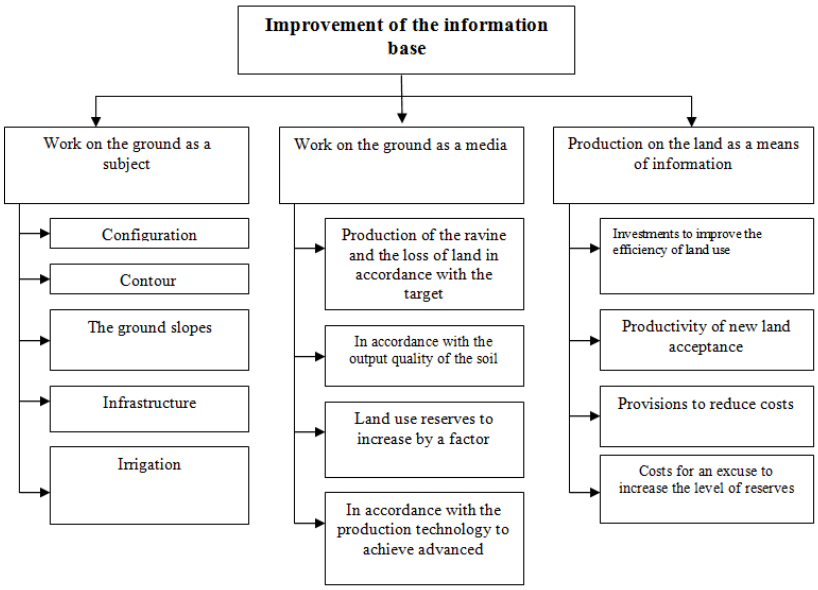


FIGURE 5. THE MAIN DIRECTIONS OF IMPROVING THE INFORMATION BASE FOR THE VALUATION OF LAND [1]

Rate the quality of the land in the second group, together with the study of ways to improve the information on the properties of the formation, it should be noted that it should be carried out in two directions:

- As a regional base for the information of construction land;

- Use of building objects on the land as a region by providing information (Figure 6).

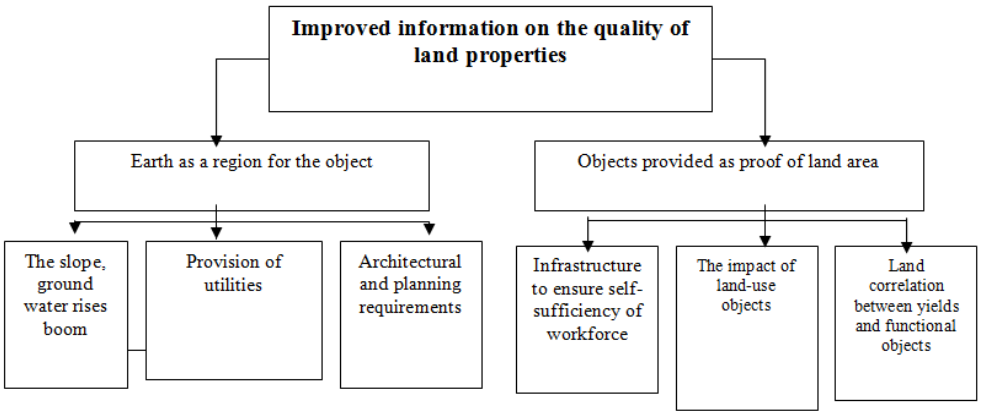


Figure 6. The main directions of improvement of information on the quality of land properties [1]

Rated the quality of the land is used for the placement of objects in accordance with the improvement of information on the properties of the rated facilities located in various places in the cost estimate the size of construction and operation, as they affect the valuation of the factors taken into account the level of support should be aimed at attracting more details (Bekchanov, Karimov, & Lamers, 2010) .

To improve the quality of information on the analytical assessment of the value of land should be carried out in two directions:

- In general, the improvement of information and analytical resources;

- Nominal overall improvement of information-analytical ground.

CONCLUSION

The value of the cadastral value of the land plot of land to change the assessment of the individual assessment of market conditions in the individual assessment of the information used in the evaluation based on cadastral be done through amendments to the correction factors (Ames, Brown, Devarajan, Izquierdo, & others, 2001; Gürgen, 1999).

In general, improving the system's knowledge base for the assessment of land use of the information support and it must be based on the general and specific requirements.

General information requirements for further standardization and harmonization of information, which makes it a unique exception, to reduce costs and optimize the preparation

of frequency analysis and to simplify the use of the information, as well as the need to establish mechanisms for quality control in the field (Bobojonov et al., 2013).

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RISK AND RISK MANAGEMENT TECHNIQUES OF BANKS: A DETAIL STUDY OF BASEL ACCORD

Neetu Singh Yadav[1]

ABSTRACT

Risk measurement and management has become a critical area for each organization in this highly competitive world. Banks and other financial institutes are the most sensitive to various kinds of risk and these institutions are highly involved in financial transaction on daily basis at comparatively much higher volume. In this research study, the researcher has tried to analyze various kinds of risks associated with the banks and their measurement & management techniques. In order to understand conceptual framework and the extent of risk impact on various areas of bank such as market risk, credit risk and operational risk; the Basel II Accord and RBI norms & guidelines are taken as the base. In this research study, all techniques and methods for risk measurement and management are based on as per the guidelines and norms of RBI and the Basel II Accord which is an international committee highly specifically for the risk management in banking systems and operations.

The entire research study has divided into 5 chapters and each chapter has sections and sub-sections. The data analysis has done on both primary and secondary data which has been taken from various sources. The final chapter is highly focused to recommendation and conclusion of the complete research study.

The case company for this research study is an Indian Public Sector Bank "The Bank of Maharashtra". The primary data and information has been collected from the internal employees of the case company.

INTRODUCTION

In today's competitive and sensitive business environment, risk management has come in prime focus for running any kind of business. The importance of identification and management of risks has become main concern because of past bankruptcies and huge losses occurred in the business. All have been witnessed of many examples of faulty risks management by companies all across the world for example Lehman Brothers (2007), Enron (2000) and World Com (1998) etc. This had led many companies to close their risky businesses. It happened because of complete mismanagement of available resources and business capabilities. In such business situation, organization's needs to have proper risk mitigation policies and technologies and also integrated risk management framework so that

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shareholders' confidence can be maintained for linger period of time. This can be achieved by lowering the cost of capital and maintaining the revenue incoming for the company. (Bakshi, Swapan R. 2008)

Risk can be defined in various ways depending on their respective fields but generally the uncertainty of outcome of certain event. Outcome could be any opportunity, threat, action or an event. It is related with likelihood of any happening and impact of an action to influence the attainment of final outcome or objective of the organization. It is required to perform qualitative and quantitative analysis at least for measuring the inherent risks and threats in the organization so that right approach can be adopted to achieve the objectives of the organization. Risk is described as the uncertainty of outcome of an event in a particular situation. The risk can be involved in an event that is short time period event. Risk is basically connected with variance in certain outcome of an event compared to some expected value in a specific situation and some other time it is related with expected loss. (Jalan, B. 2006)

Various risks that has to be evaluated in banks

Bank is a core financial institute which basically deals in financial transactions in almost all sectors and it possesses various kinds of risks in all these processes. According to the researcher, risks in banks are broadly divided into three categories a) credit risk; b) market risk; and c) operational risk.

Researcher found that risks in banks can be of any type expected or unexpected but in both cases the earning of the bank and capital of banks are directly affected adversely. The expected loss in financial transactions basically arises from the borrowers of the bank loan which can be handled by the bank through adequate and proper pricing policies of the company in which risk premium is used as shield to protect the bank from future loss. The expected loss is basically taken place because of payment defaults and change in credit quality from the borrowers. On the other hand, the unexpected loss happens because of individual exposure to the market and the entire risk portfolio is being carried by the bank itself and the loss is handled through capital of the bank/earnings of the bank. So the expected loss is taken care by bank's provisions/reserves of the banks and the capital allocation is used to take care the unexpected losses. Here the proper capital adequacy ratio helps to handle such losses and risks in the banks.

The researcher has found various methods to determine and to measure the expected and unexpected risks/losses but most prominently used methods are worst case type analytical model or Value at Risk (VaR). In this research study, the researcher has studies various risks and understood the relevance of those risks in the banking system. Each risk is briefly described below:

TYPES OF RISKS IN BANKING

Credit Risk: Credit risk is the risk in which the borrower makes default in paying back the borrowed amount to the bank or fails to meet the termed obligations. The default from the borrower can be happen from various reasons. The change in credit quality leads to high chances of defaults from the borrowers. The credit risk is always involved in business and it is closely related to lending of funds to the operations. The business operations and the market risk variables are also related with each other. The proper set up of credit risk management helps to minimize the losses and risks and also adjusts the risk return for the bank through maintaining credit risk expose within acceptable limits.

Market Risk: Market risk is the risk in which the investment portfolio or the trading portfolio of the bank gets changes on the basis of market risk factors. The market risk factors are interest rate risks, stock price risks, commodity prices risk and the foreign exchange risks. The investment of bank in various stocks and well managed portfolio can also affected by these market risk factors. Banks have to realize the volatility of the stocks and the interest rate at the global level before it can prepare the least risk affected portfolio.

Operational Risk: Operational risk is basically arises from the business operation of the company. It is generally related with the process, system and the people of the company who are the medium to operate the business functions of the company. According to Basel II and the guidelines of RBI, the operational risk in banks has its own relevance and it has major impact on the overall risk portfolio of the bank.

Cost of risk = Value without risk – Value with risk

The above expression can shown with respect to risk involved to shareholders of the organization

Value with risk = Value without risk – cost of risk.

It is noted that if organization is been successful in lowering the cost of risk then they can maximize the value to the shareholders.

Apart from the above mentioned risks, the researcher found other risks that are prevalent in the banking system. Each bank face lot of risks with respect to their assets/liabilities/financial transactions and to determine the reliability of these entities following risk has to be determined:

1. **Country Risk:** This is a risk which is based on failure of settlement of obligations of counter parties and foreign customers. This risk is influenced by social, economic and political factors of home country of counter party.
2. **Credit Risk**: This is a risk which is related with default of customer in settling the borrowed amount from the lender. This happens because of not focusing on

diversification in terms of customers, industry and geographical area. (Myers, Stewart C., 2005)

3. **Currency Risk**: This risk is related with fluctuation of exchange rates in future and it is applicable with foreign currency assets, liabilities, obligations and rights.
4. **Fiduciary Risk**: It is a risk which is related to negligence or failure in assets management on behalf of counter parties. (Gordy, M.B., 2010)
5. **Interest Rate Risk**: This risk is related with high movement of interest rate and its adverse impact on value of assets and liabilities and also adverse impact on interest based cash flows.
6. **Legal and Documentary Risk:** This risk is related with incorrectness of documents under the contracts which is also not legally enforceable.
7. **Liquidity Risk:** This risk is related with loss incurred due to change in ability of a bank to dispose off an asset.
8. **Modeling Risk:** This risk is related with subjectivity and imperfection of valuation model which is used to assess the real values of assets or liabilities.
9. **Operational Risk:** This risk is associated with loss/failure of internal process, system or people of the organization or external events/factors. (Wang, Shaun S., 2006)
10. **Price Risk:** This risk is associated with movement of market prices and its adverse impact on equity, interest rates, commodity prices, forex rates and other similar investments in the market.
11. **Regulatory Risks:** This risk is associated with failure of the organization in meeting legal/regulatory requirements.
12. **Replacement Risk** (Performance Risk): This risk is associated with failure of counter party/customer to meet the requirements of the term of a contract.
13. **Reputational Risk:** This risk is associated with the reputation of the business in matching the public expectations. Negative opinion of public may lead to loss of reputation of the company.
14. **Settlement Risk:** This risk is associated with failure of settlement of counter party or customer in terms of receiving the value from other side.
15. **Solvency Risk:** This risk is associated with failure of maintaining the sufficient funds by the banks to meet the necessary obligations. It leads to inaccessibility of a bank to capital market.
16. **Transfer Risk:** This risk arises because of inability of counter party to denominate certain obligations in home currency of counter party.

(Stein, Jeremy C., 2004)

1.3 Basel Norms and RBI Regulatory Framework for Banking Sector

In this research, the researcher has explained the necessity of regulatory framework on banking industry and its importance in banking operation efficiently. Researcher has found that RBI and Basel norms have been followed by the banks in framing the regulation and the guidelines for the banks. The detail guidelines of Basel and RBI has been discussed in other chapters, here the introduction of these frameworks have been mentioned.

Basel I Framework

Basel I Framework is known guidelines and regulations for the banking system. This committee had proposed certain necessary guidelines so as to make the banking system financially sound and secure from any financial crisis. One of the major terms "Capital Adequacy" was brought in the picture which is related with the adequacy of required capital resources in a bank. This is a tool to avert the risk that exists in business operations. The capital adequacy has been an important question of concern for banks from last several decades. The risk has been assessed with the help of adequacy of capital after the international banking authority accepted this as important tool to determine the risk level. (Bakshi, Swapan R. 2008)

Basel II Framework

Basel II Framework is extended version of Basel I Framework. The main objective of this committee is to seek more effective and sensitive approach related to new capital adequacy framework. The revised framework is an approach to make efficient and advanced risk management system, to align regulatory capital with economic capital and to promote better utilization of capital resources in the system. (Jalan, B. 2006)

1.4 Aims and Objectives

1. To identify various inherent risks in banks and techniques to manage those risks
2. To measure the impact of certain risks on overall bank's risk portfolio.
3. To analyze the implementation of RBI norms and Basel II accord on the banking operation.

1.5 Research Question and hypothesis

The research questions involved in this research have been discussed below with the hypothesis.

Research Question 1:

1. **How much it is important to measure various risks in banks?**

Hypothesis:

H_0: Risks measurement and management is highly essential for the banks to efficiently operational it.

H_1: Risk measurement and management does not impact much on the efficiency of the bank's operation.

Research Question 2:

Does particular risk change the complete portfolio of bank's risk?

Hypothesis:

H_0: The overall risk portfolio may be directly impacted by a particular risk factor.

H_1: The overall risk portfolio may not be directly impacted by a particular risk factor.

Research Question 3:

3. How much risk management techniques are effective in banking sector?

H_0: The risk management techniques are always effective to manage risk in banks.

H_1: The risk management techniques in banks are not always effective to manage risk.

2: LITERATURE REVIEW

The process of risk management is very important for the proper management of any organization but the basic concept of the risk management ignores a very important fact that success of a particular organization depends on its abilities to adapt to the changes rather than reacting to the change that happens. Risk management aims at taking the risk and it does not state that the risks should not be taken but risk should be taken by having the appropriate knowledge of it beforehand and understanding the possible implications of that particular risk so that risk mitigation could be done in an effective manner. It also provides a shield to an organization against the losses which may otherwise be unacceptable to that particular organization thereby resulting in the collapse or the failure of an organization or damage its brand image or the competence. (Wang, Shaun S., 2006)

Banking can also be described as the financial intermediary with the investors/savers on one side and the corporate or the fund seekers on the other side so it acts as a kind of bridge between the two. When the banks offer financial services they take into account both financial as well as non financial risks. There exists an international practice of the committee approach which could be adopted for managing the various types of risks prevalent in the market. Few of such committees are asset liability, credit policy committee which handles the various aspects related to the process of risk management. In order to monitor the risk a centralized department could be made but the control of risk should take place the functional department level. In order to ensure its implementation there is a need for the integration of various systems in the organization. (Myers, Stewart C., 2005)

3. RESEARCH METHODOLOGY

Comparison of qualitative and quantitative data

There is both weaknesses as well as strengths of the research methods opines Oburai in 2005. the qualitative methods gives information that is real comprehensive and rich however on the contrary Miles and Huberman in 1194 said that the qualitative data may over strengthen the researcher with small quantity of time required, notes to e recorded, observations analysis and codification etc. Oburai said that qualitative research provide the researcher with the information which is subjective in nature and user friendly as well. (Stein, Jeremy C., 2004)

The Sample

The research incorporates 1 year of time horizon, which can be the traditional way of analyzing the bank's total economic capital. The final objective is to get yearly losses distribution. Though to reach their research have founded to use the model with finer resolution of risk type (two in numbers) namely ownership and market risk. The model used details the dependency of the market and ownership risk factor on credit risk factors and visa versa on resolutions at yearly basis which will serve the purpose to reach the destination that is the conclusions.

The various test which were conducted in the research were accomplished using SPSS software which gives the meaningful results after keying in the relevant data in the required format related to the hypotheses formulated which needs to be tested. Therefore the final results of the research will be discussed in details in the data analysis part which will prove that the formulated hypothesis holds validity or not in other words can be said are correct or incorrect.

4.Data Analysis

Data Analysis has always been an integral part of any research, my research on "Risk and Risk Management Techniques in Bank with reference to Basel Accord" has it major focus on the data analysis part. The Data Analysis for any research form the basis for deriving the conclusion for the research and also the recommendations and suggestion are based on outcome of the analysis done on the data collected from the respondents. The data analysis gives the direction to the research in terms of its outcomes. It is un-doubly one of the most important part of the research where the responses collected from the respondents are put together codified, encrypted and decrypted in a stipulated manner to derive the opinion on certain subject. The research accounts the various risk factors and the techniques to measure such risks. The questions have been target on the requirements of basic research questions. The data is analyzed with reference to SPSS software. The research required quality analytical skills to successfully complete the data analysis for the research. The researcher took Bank of Maharashtra for the choosing the target audience. The region selected for the

research is Mumbai (considering the availability of resources such as proximity, reach, time, money etc) the target audience (respondents) chosen for the research is the managerial level in the banks (assuming their suitability of their understanding towards various risks and risks factors). The sample size chosen for the research is 25. (Gordy, M.B., 2010)

The **research questionnaire** was floated to these managers and their responses to the questions were systematically recorded, encrypted and uploaded in the software (SPSS). There are 11 questions framed keeping in mind their suitability to the research questions. The responses received from the managers were personally recorded via interviewing these managers in person. The interview was conducted at their offices where they have shared their responses for each question in both open and close ended answers.

Question 1: Are you aware of RBI norms stipulated for banking operations?

The responses across the respondents for the above mentioned questions were more or less uniform, almost all the respondents had required level of understanding for the RBI guidelines and were aware of the importance of adhering RBI guidelines for their banking operations. The respondents were well aware of the liquidity ratio, CRR (Cash Reserve ratio) which keeps on changing from time to time. More than 95% that is 24 respondents were aware of CRR and Liquidity ratio. Above 90% respondents that is 23 respondents posses good knowledge about regarding Nominal Bank Rate, their Repo rate and also the Reverse Repo rate. Overall results show that all 25 respondents (Managers) that is 100% of the sample size had average knowledge of the RBI guidelines required for running successful banking operations which is a good sign for Bank of Maharashtra. (Stein, Jeremy C., 2004)

Question 2: Does your bank meet the minimum required financial ratio of banking operations and what is the capital adequacy ratio for your bank?

The financial ratios like any other banks play a very important role in the routine operations of Bank of Maharashtra and the managers for the respective branches across Mumbai possessed healthy knowledge about these ratios. The responses recorded for the above mentioned question were that 22 that is approximately 90% of the managers interviewed had confirmed that their bank meets the minimum required financial ratio for routine operations at all times therefore it can be observed that the Bank of Maharashtra across locations is meting up with the requirements of the RBI's average financial ratio and the performance in term of the trade is appreciable. It is observed that the major portion of the branches visited for interview indicate that the capital adequacy ratio for Bank of Maharashtra is 35% of it total net-worth which is at a good level as per the banking industry. (Wang, Shaun S., 2006)

Question 3: Does your bank Follows the guidelines as per the Basel Accord II? Comment on stability of your banking operations.

Looking at the brighter side of the Basel Accord II guidelines it is interesting to observe that the 20 out of 25 managers that is 80% of respondents confirmed that their banking operations are in line with the Basel Accord II which includes the focus on all Credit, Market and Operational risk respectively. However it is noticeable that 20% respondents which is 5 out of 25 managers did not confirm on their following for the Basel Accord II guidelines and one of the major reasons for the same was observed to be the less importance to the operational risk. These branches were more focused towards the other two that is the Credit and Market risk. When asked about the stability factor post following the Basel Accord II guidelines the responses were unanimous and uniform across the respondents where in 100% of the sample found their banking operations to be more stable as compared to pre Basel Accord II time frame. It has been observed that the stability of the banking operations across the branches of Bank of Maharashtra have increased and the default rate in their routine operations have gone down to considerable extent and the onus for the same is on Basel Accord II guidelines. (Singh, Ranbir. 2005)

Question 4: Do you understand by the meaning of word "Risk"?

When asked about the understanding of respondents towards the term "risk" the responses for all the manager were differing as they define risk related to banking operations in their own different styles and the possible reason for the same can be that all these respondents perceive risk in a different way. At one side where all 25 respondents understood the importance of risk in their banking operations simultaneously all of them gave importance to different kind of risk based on their understanding of the term "risk". Fact noticeable is that the Bank of Maharashtra has an edge in the banking industry as the risk factors can be efficiently managed as almost all the managers have an understanding about risk and its importance in the business (banking) operations. (Myers, Stewart C., 2005)

Question 5: As per your preference put the below mention risks in order of their importance and their association with banks.

- Credit Rate Risk
- Operational risk
- Market Risk
- Currency Risk

When asked about the risk associated with a bank the respondent gave preference to the following risks associated with the banks Operational risk, Credit rate risk, Market risk, Currency risk and operational risk. Majority of the respondents (10 out of 25 managers) gave first preference to Credit Rate risk. The second preference given to Operational risk wherein 7 out of 25 respondents gave these responses, the third preference was given to Market risk where 5 out of 25 respondents preferred Market rate risk. Fourth preference is Currency risk

(fluctuation in the currency rate) 3 out of 25 respondents responded for Currency risk. The preference to operational risk is outcome of cause and effect relationship of this risk when compared with other risk factors. The capital being the major financial resources for the bank has been the major driving force for the banks and is mainly affected by the credit rate risk. (Bakshi, Swapan R. 2008)

Question 6: How much it is important to measure various risks in banks?

When asked about the importance of measurement of various risks in banks, the respondents has given good response of the questions and 25 out of 25 respondents said that measurement of various risks is highly important as it is highly required to take appropriate actions once the risks are measured and risks can be controlled properly by the banks. The risk measurement has always been a crucial step in making the system efficient and to make the system risk free. No one out of all respondents had opinion that risk measurement does not have any importance in banking system. (Gordy, M.B., 2010)

Question 7: Does particular risk change the complete portfolio of bank's risk?

Out of 25 respondents, 16 respondents believes that particular risk brings changes in entire portfolio of risk and rest 9 respondents believes that particular risk does not have impact on complete risk portfolio of bank. People who were in favor said that particular risk creates a cascading impact on the system which later on starts to make the impact on entire risk portfolio. They believes that each risk has its own impact on the system and it shows the degree of losses on the system as the time process provided any steps are not taken to eradicate it. On the other hand, those respondents who were not supporting this fact believes that particular risk is limited to a certain area and it does not make any impact on the entire risk portfolio of the bank.

Question 8: Arrange the order of the below risk measurement techniques as per your preference of measuring the risk for your banks.

- Standardized Approach
- Foundation Internal Rating Based Approach
- Advanced Internal Rating Based Approach
- Value at Risk (VaR)

The question related to risk measurement is very important for the research and the responses for the same are mentioned below most of the respondents preferred the VaR technique of measurement 14 out of 25 respondents (more than 50% of the total sample size). According to the respondents VaR models helps to measure the risk at value. The second preference for the respondents was Standardized Approach (7 out of 25 approx 30% of total sample size) and finally the Foundation Internal Rating Based Approach is the third in the

row for measurement of risk (4 out of 25 that is approx 20% of the total sample size). The Advanced Internal Rating Approach is still not used for measurement of risk. Mainly respondents were of the opinion the VaR is the best technique to measure risk associated with the banks.(Wang, Shaun S., 2006)

Question 9: Which of the below mentioned methods is best to manage the risks associated with banks?

- Hedging
- Following the norms and guidelines as per the RBI & Basel Accord II
- Credit Administration
- Risk Review

The data collected for the above mentioned questions is analyzed in a way where the researcher have checked the various methods of managing the risk and the outcome of the same is 10 pot of 25 respondents that is 40% of the total sample size chose following the norms and guidelines as per the RBI and Basel Accord II. 7 out of 25 that is approx 30% of the total sample size chose hedging as their option for managing the risk for their banks. 5 chose the option risk review and remaining 3 chose credit administration as their option to manage the risk for their banks therefore its clear that the Following the norms and guidelines as per the RBI and Basel Accord II and Hedging are the best options to manage the risk for the Bank of Maharashtra as per the opinion of the managers of the banks reason being it manages the risk in the most efficient and effective way and minimizes the risk associated with the banks. (Llewellyn, David T., 2008)

Question 10: How much risk management techniques are effective in banking sector?

Out of 25 respondents, 21 respondents believe that there is dire requirement of risk management techniques and it is highly effective in risk management of the bank. They believes that good risk management techniques gives better results in terms of producing the effective and efficient result for the bank and it have long term results on the performance bank. 4 respondents there is not much requirements of high end risk management techniques as most of the methods are of similar result and produce same kind of results. (Myers, Stewart C., 2005)

Conclusion

Risk in a bank is very common and very frequent. Bank is an institution where all financial transactions are taken place and each transaction involves certain risk. Risk in a bank could be of any kind for example credit risk, default risk, investment risk, market risk and currency risk etc. Risk is invariably shows the possibility of uncertain outcome of any event. When bank expects certain return from any financial transaction and if it does not

appear at the end then it is described as banking loss. For example, a loan borrower from the bank makes default in paying back the loan amount to the bank then it is treated as default and the risk involved in such cases are known as default risk. Therefore risk is a condition where the outcome deviates from its expected value. (Talwar, S.P. 2007)

Each bank has to meet the minimum capital requirement as per the Basel Accord and this capital is the minimum resources which are required to run the banking operations. The Bank of Maharashtra should ensure that the bank has adequate capital so that branches can work hassle free. The Basel Accord has been recommended by all banking authorities at international level to measure the capital adequacy of the banks and Bank of Maharashtra is following those requirements as per the rules. The basic approach of the Bank of Maharashtra should be to have capital adequacy framework which can ensure that bank has sufficient capital to meet the future losses and absorb the financial shock that may arises from bank operation risks. (Bakshi, Swapan R. 2008)

Bank should ensure that there should be proper framework and sensitive approach to meet the capital requirements. The bank should attempt to adopt the advanced risk management approach that align to regulatory capital and more closer to economic capital so that the capital can be utilized more efficiently. (Jalan, B. 2006)

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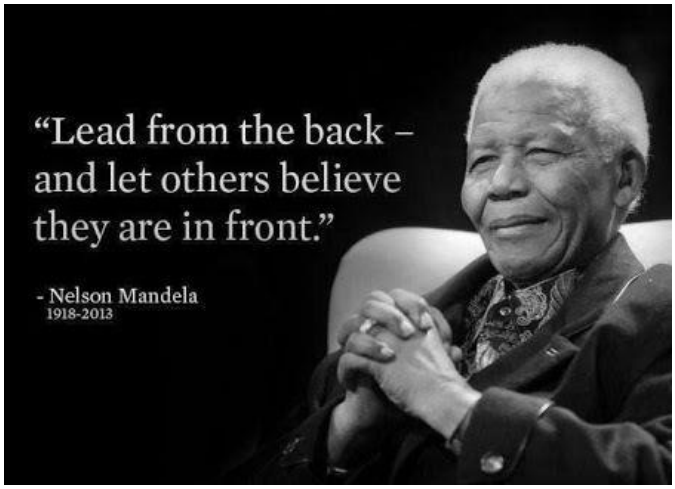

MERGERS AND ACQUISITIONS (M&A) IN THE CORPORATE WORLD

Lalita Mishra[1]

ABSTRACT

Mergers and acquisitions (M&A) are very important phenomenon in the present corporate world. It is a vehicle for driving the businesses across the globes and leveraging the resources spread in the various parts of the world. Not only has that by mergers, companies achieve synergy in their operations and which helps in mutual benefits (Andrade, G. and al, 2001).

INTRODUCTON

M&A are basically a process and not any science or an art as many would see them as. If buyers and sellers end up satisfied by the deal them it clearly can be understood that the deal happened in proper pattern or series of steps. So the procedure by which the objectives of the buyer and seller are found out is important. Just to exemplify, when there happens an improper valuation of a deal, there is no clear winner. M&A activity is being stressed by a number of strategic factors, including competition, rationalization of business, technological upheaval and globalization. In this world of globalization, it is inevitable to think go working in a closed loop and not getting affected by the global powers. Many businesses have gone global seeing the opportunities in the outside world and the kind of boost the business may get if things fall in place properly. For any business, the main objective is to achieve shareholders profit maximization and for that it becomes imperative to grow widely. During 1990s there was a substantial increase in worldwide activity of M&A.

Synergies Driving M&A

Sirower (1997) defines synergy as "**Increase** in competitiveness and resulting cash flows beyond what the two companies could have achieved independently". For any firms, the acquisitions results in an increased expectations. The managers are obligated to deliver more than the market expectations, as per the current strategic plan. The NPV of the overall acquisition transaction can be defined such as:

NPV = Synergy – Premium

This is a very important relation to be followed without fail for every company which is going for any acquisition. The company who do not follow this fall into so called "Synergy trap". From the above relation, the market keeps on estimating the NPV of the merger. The

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damage to the balance sheet and the share prices of the company depends upon how negative it is. The expected synergy of combination in a corporate scenario is actually categorized as the acquisition premium.

Operating Synergy

Operating synergies are providing cost reduction through economies of scale and enhanced revenue. As discussed earlier, operating synergies are seen in the horizontal merger where firms operate in similar business. Economies of scale can be achieved by reducing the cost of production by increasing production level. Vertical integration of firms at different stage can help to reduce cost due to better coordination (Alchian, 1978).

Financial Synergy

Financial synergy refers to the financial aspects of the firm being improved as a result of the merger and acquisition. The cost of capital, important aspect, can be significantly reduced if the merged firms have uncorrelated cash flows, or they realize the financial economies of scale. The 3 main sources of a financial synergy, as identified by one of the authors Sudarsanam (1996) are: the tax advantage of unused debt capacity in either bidder or target firm, the complementary growth opportunity and financial resources and debt level of both the individual companies.

Managerial Synergy

It takes into account the personnel aspect of the merger. Both the companies have a set of managers and employees prior to the merger. Suppose the bidder has a small but competent management team which can achieve the target even with less competent managers. Now if it merges with a firm with not so competent management, then for the new firm it will not be so simple to carry its operations effectively and meeting the target with ease. The detailed study about this kind of non operational synergy is done by the author Sudarsanam (1996).

Objectives of Mergers and Acquistions

The immediate objective of an acquisition is self-evidently growth and expansion of the acquirer's assets, sales and market share. A more fundamental objective may be the enhancement of shareholders' wealth through acquisitions aimed at accessing or creating sustainable competitive advantage for the acquirer. In modern finance theory, shareholder wealth maximization is posited as a rational criterion for investment and financing decisions made by managers. Share holder wealth maximization may, however, be supplanted by the self-interest pursuit of managers making those decisions. According to the managerial utility theory, acquisitions may be driven by mangerial ego or desire for power, empire building or perquisites that go with the size of the firm.

Shareholder wealth maximization perspective ,In this neo-classical perspective, all firms' decisions including acquisitions are made with the objective of maximizing the wealth of the shareholders of the firm. This means that the incremental cash-flows from the decision, when discounted at the appropriate discount rate, should yield zero or positive net present value. Under uncertainty, the discount rate is the risk-adjusted rate with a market-determined risk premium for risk.

With acquisitions, the shareholder wealth maximization criterion in satisfied when the added value created by the acquisition exceeds the cost of acquisition :

Added value from acquisition = value of acquirer and the acquired after acquisition - their aggregate value before

Increase in acquirer share value = Added value - Cost of Acquisition

Cost of Acquisition = Acquisition transaction cost + Acquisition premium

Acquisition Transaction cost = advisers' fees + regulator's fees + stock exchange fees + cost of underwriting + other expenses

Acquisition premium (or control price) = Offer price paid to target - target's pre-bid price

When managers seek to enhance shareholders' wealth, they must not only add value, but also ensure that the cost of the acquisition dies not exceed that value. Value creation may occur in the target alone, or in both the acquirer and the acquired firm.

A few examples in this regard are as follows :

HLL and BBLIL merger - to gain synergy in operations, channel usage, etc.

Tata Tea acquiring tea gardens - backward integration, provides better stability against price fluctuations.

Increases shareholder value with increasing profits. Also reduces tax burden, sales tax in buying tea saved.

HLL - TOMCO merger - increased the size of HLL market and got a number of soap brands on a golden platter.

Managerial perspective The modern corporate economy is characterized by large corporations with widespread diffusion of ownership from control, the relation between shareholders and managers may be viewed as one between a principal and his/ her agent. In this agency model, managers as agents may not always act in the best interest of the principal. The cost to the shareholders of such behaviour is called the agency cost and represents loss of value to the shareholders. Managers may act in disregard of their principal's interest in order to promote their own self-interest. In the acquisition context, such self-interest pursuit may

result in bad acquisitions and loss of shareholder value. Acquisitions lacking in value creating rationale may be undertaken to satisfy managerial objectives such as an increase in firm size.

Where the acquisition does have value creating potential, it may be overestimated. Managers may overpay for the acquisition or incur high transaction costs by launching hostile bids. Managers may make genuine errors in estimating the value creating potential, since such an estimation is often based on incomplete information, about the target at the time of the bid.

Managerial motives in acquisition

1. To pursue growth in firm size as managerial remuneration, perks, status and power are a function of firm size. This strategy may be followed when their compensation is a function of sales growth.
2. To develop their currently underused managerial talent and skills (self-fulfillment motive) - when any firm is in a declining industry it may have to diversify to retain its best managerial staff whom they would have lost to industries that are more competitive and which enjoy greater potential.
3. To diversify risk and minimize costs of financial distress and bankruptcy (job-security motive). This is self evident.
4. To avoid being taken over (job-security again) this is not a plausible motive. e.g. RJR Nabisco was taken over in a hostile leveraged buyout at $ 25 million. Thus size need not be adequate protection.

The recent spate of mergers and acquisitions in India can also be attributed to the recently announced takeover code. The new takeover code has created a market for takeovers. It has made mergers and acquisitions easy. So companies which were starting new businesses to increase size found an easier route through the takeover code. It made M&A easy and companies had whole strategic teams scouting for lucrative companies for takeover.

Hypothesis

H1. Net Profit Margin, Return on Equity, Return on Sales, Return on Assets have not changed significantly post merger.

H2. Net Profit Margin, Return on Sales, Return on Assets has no significant impact on Return on Equity post merger.

H3. Net Profit Margin, Return on Sales, Return on Assets, and Return on Equity have not shown improvements in maximum number of cases.

To analyse these hypothesis we have used 3 model approaches as given by Eckbo in 1983, in which the above mentioned variables were measured to analyse the performance of

mergers. The rationale behind the utilization of these 3 models is that it can clearly identify and help to analyze the effects on firms post conglomerate merger performance by statistically comparing the pre conglomerate merger and post conglomerate merger scenarios.

FINDINGS & ANALYSIS

For the analysis of the data, we have used SPSS software package. Statistical Package for Social Sciences is a software package through which the responses are analysed and interpretations are to be made. There are various tools in the package like ANOVA, regression, correlation, time variant analysis etc. in this case as the factors are to be studied, factor analysis method of statistics can be used which combines the different factors and club them in general factors. SPSS has a certain level of accuracy which is considered to be good enough to be preferred over other tools. The correlation method would be used to find out the relevant factors for judging the relationship effects between the variables to the performance of the company post and pre merger

Findings of Model 1

Model 1 was utilized to test the data for normality and to identify whether the given ratios underwent any significant change in the post conglomerate merger scenario as compared to the pre conglomerate merger scenario.

The following are the results for the test performed in Table 1.1.

Table 1.1	**Mann - Whitney U Test Ranks**			
Ranks				
	V1	N	Mean Rank	Sum of Ranks
RoE	Pre Conglomerate merger	30	33.63	1009
	Post Conglomerate merger	30	27.37	821
	Total	60		
NPM	Pre Conglomerate merger	30	35.07	1052
	Post Conglomerate merger	30	25.93	778
	Total	60		

RoA	Pre Conglomerate merger	30	36.33	1090
	Post Conglomerate merger	30	24.67	740
	Total	60		
RoS	Pre Conglomerate merger	30	32.63	979
	Post Conglomerate merger	30	28.37	851
	Total	60		

In Table 1.1, Post conglomerate merger mean is less than Pre conglomerate merger mean in all the financial ratios taken for test. However, we can see that NPM and ROA were most affected by decreasing in Post merger period. This implies that overall performance and returns of the conglomerates were in decreasing in Post merger period in comparison with Pre merger scenario.

Table 1.2	**Descriptive Statistics of Mann-Whitney U Test**				
Variables	N	Mean	Std. Deviation	Minimum	Maximum
RoE	60	2.67816	115.380526	-614.89	510.1921
NPM	60	-15.341	169.763512	-1291.6	155.0018
RoA	60	16.1118	71.4057621	-45.822	416.41
RoS	60	2.85063	156.880107	-1106.3	441.3115
V1	**60**	**1.5**	**0.504**	**1**	**2**

The table 1.2 represents the basic descriptive statistics of every variables included in this study. These values gives basic understanding features in quantifying terms of overall sample of the study.

Table 1.3	Test Statistics of Mann-Whitney U Test[a]			
	RoE	NPM	RoA	RoS
Mann-Whitney U	356	313	275	386
Wilcox on W	821	778	740	851
Z	-1.39	-2.025	-2.587	-0.946
Asymp. Sig. (2-tailed)	0.165	0.043	0.01	0.344

a. Grouping Variable: V1

The values of Mann Whitney U test in respect to all the ROE, NPM, ROA, ROS ratios as mentioned in Table 1.3, are pretty large which states that the model is quite good and it can be taken into the analysis.

Apart from that in the Mann Whitney U test, the z values in Table 4.3 are compared with the p value found out from the table. In the cases of ROE and ROS the p value is greater than .05; hence there is no significant relationship between the values of ROE and ROS pre-merger and post merger while the case is just opposite in the case of NPM and ROA. Hence, we can say that ROA and NPM exhibit significant changes in the values pre and post merger.

Findings of Model 2

The purpose of model 2 was to analyze the effect of the conglomerate merger on the Return on equity as to which of the other ratios (Return on Assets, Return on Sales, Net Profit Margin) on the basis of two equations for Pre Merger and Post Merger Period

2.1 Pre Merger Findings

Table 2.1	Descriptive Statistics for Pre Merger Period		
	Mean	**Std. Deviation**	**N**
Pre Conglomerate Merger RoE	4.092577	35.0482524	30
Pre Conglomerate Merger NPM	12.49086	29.2981225	30
Pre Conglomerate Merger RoA	18.30434	66.224696	30
Pre Conglomerate Merger RoS	16.86993	20.1428669	30

In table 2.1, we can find the basic descriptive statistics for Pre Merger Period for all the variables included in the study. From the descriptive statistics it can be seen that the mean ROE is 4.09 for the premerger scenario and so are the other values read by the table.

Table 2.2	**Correlations for Per Merger Period**				
		Pre Conglomerate Merger RoE	**Pre Conglomerate Merger NPM**	**Pre Conglomerate Merger RoA**	**Pre Conglomerate Merger RoS**
Pearson Correlation	Pre Conglomerate Merger RoE	1	0.463	0.094	0.33
	Pre Conglomerate Merger NPM	0.463	1	-0.012	0.371
	Pre Conglomerate Merger RoA	0.094	-0.012	1	0.021
	Pre Conglomerate Merger RoS	0.33	0.371	0.021	1
Sig. (1-tailed)	Pre Conglomerate Merger RoE	.	0.005	0.311	0.037
	Pre Conglomerate Merger NPM	0.005	.	0.474	0.022
	Pre Conglomerate Merger RoA	0.311	0.474	.	0.456
	Pre Conglomerate	0.037	0.022	0.456	.

	Merger RoS				
N	Pre Conglomerate Merger RoE	30	30	30	30
	Pre Conglomerate Merger NPM	30	30	30	30
	Pre Conglomerate Merger RoA	30	30	30	30
	Pre Conglomerate Merger RoS	30	30	30	30

Table 2.2 shows Pearson Correlation coefficient between every pair of variables used to perform this study, we can see that Pre Merger RoE and NPM has highest positive correlation i.e. R = .463 and negative correlation between Pre Merger RoA and NPM. Also, the one-tailed signification for each variable correlation is showed, significant between Pre Merger RoE and NPM i.e. p = 0.005. 30 numbers from the sample were contributing to the each correlation.

Table 2.3	**Regression Model Summary for Pre Merger Period[b]**				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.502[a]	0.252	0.166	32.0090551	1.895
a. Pre Conglomerate Mergerdictors: (Constant), Pre Conglomerate Merger RoS, Pre Conglomerate Merger RoA, Pre Conglomerate Merger NPM					
b. Dependent Variable: Pre Conglomerate Merger RoE					

From table 2.3, we can. It can be interpreted that the R-square value is 25.2% and the adjusted R-square value is 16.6%. Though the values are less than expected but this might have been due to various factors like negative values of ROS, ROE etc. in the sample, thus we managed to proceed with this model. The Durbin Watson statistic show a value of 1.895 which is close to 2 which states that there is very less probability of autocorrelation between the error variables.

Table 2.4	**ANOVA for Pre Merger Period[b]**					
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	8983.95	3	2994.65	2.923	.053[a]
	Residual	26639.07	26	1024.58		
	Total	35623.02	29			
a. Pre Conglomerate Mergerdictors: (Constant), Pre Conglomerate Merger RoS, Pre Conglomerate Merger RoA, Pre Conglomerate Merger NPM						
b. Dependent Variable: Pre Conglomerate Merger RoE						

Table 2.4 shows analysis of variance to test whether the model is significant enough for outcome rather than using mean. The F value as showed in above table is 2.923 and if compare to the critical value from the F-value table then it comes to be .47 with degrees of freedom 26. Since 2.923>0.47, hence there the results are significant at 5% level. The null hypotheses, that there is strong evidence that the expected values have shown considerable difference.

In table 2.4, regression technique was used. Return on Equity was kept as a dependent variable while the other ratios i.e. Return on Assets, Return on Sales and Net Profit Margin was kept as independent variable. The correlation amongst the independent variables was tested for and found not to be significant.

CONCLUSIONS

After conducting the research to the author's satisfaction, it was found from analysis of the given sample of the companies which endeavoured to undergo a conglomerate merger transaction, most of the companies faced a deterioration in their financial ratios like Net profit margin, Return on assets, Return on sales, and Return on equity. This indicates that the

companies have not been successfully able to capture the benefits arising out of the mergers i.e. the synergy of the merger and hence has lead to a negative synergy which instead of giving financial and operational efficiency is leading to deterioration of the same.

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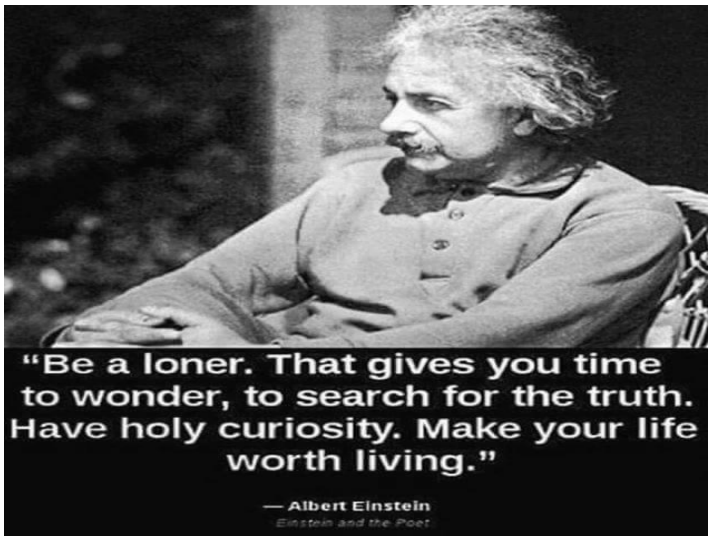

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