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Message

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Dear Academicians & Research Scholars,

Congratulations once again; As you know, recently our referred an international research journal listed with UGC approved list of journals (Sr.No.1 Journal No. 63148), and also indexed with many other research organizations like, Google scholar, Global Impact Factor, SJIF, IIJIF, MRJ, LinkedIn, RJI factor & Higher Education Supreme Authority Uzbekistan. We are also member of PILA (Cross ref) USA. The motive of our research journal is to publish worthy and original research papers after double blind peer review process. There is no doubt that today we have given international platform to our journal where everyone, who belongs to management, knows very well. During the last seven years of our research journey, you can see that there are so many research papers, case studies, book reviews coming from across the world, in the field of management. Many academicians, research scholars & students have approached from different countries like USA, Thailand, Indonesia, Saudi Arabia, Iran, Spain, Nigeria, Kenya, Nepal, Pakistan, Sri Lanka, Uzbekistan to publish their research papers in our esteemed International research Journal. We have considered most of them to publish after peer blind review process. We have also published many research papers from different management institutes of our country. They are sending regularly for publication in the upcoming issues. In addition to, it, there are many academicians, research scholars and institutes subscribing for our journal for reading by students and faculties. There are so many academicians who are approaching for being associated with our editorial & advisory board or as a review expert. We have selected some of them from foreign countries like USA, Nigeria, Uzbekistan and Sri Lanka, Nepal. The standard of our all research papers like empirical, conceptual, book review and case study is increasing the popularity of this Journal day by day. Motivational quotations between the pages also inspiring our readers. Our renowned advisory board & editorial board is a real mile stone of our success. We thanks to our advisory board and editorial board members, who are experts in different fields and contributing their valuable experience with us.

In the today's life, nothing is possible without research. Because, research is bringing revolutionary change in the world. Research based study always support academicians & scholars to upgrade their innovative skill and academic profile as per UGC and AICTE norms. I would also like to request those, who are interested to get their research papers published in the field of Retail, Tourism, Hospitality, Event Management, Import and export, HRM, Finance, Marketing, Advertising, Accounting, Economics, Aviation, and IT etc. to send their research papers through email.

With best wishes to all

Dr. P. S. Bhadouria

AN EMPIRICAL STUDY ON REGIONAL RURAL BANKS IN INDIA

Dr. Bateshwar Singh¹

ABSTRACT

Institutional finance is an important pre-requisite for rural development of the country. In the existing credit delivery system, there are four channels for institutional credit in rural areas, viz. (i) Commercial Banks (ii) Regional Rural Banks (RRBs) (iii) Short term co-operative credit institutions namely Primary Agricultural Credit Societies (PACS) and their apex body at the district level namely District Central Co-operative Banks and at State level State Co-operative Banks (SCBs) and (iv) Long term co-operative credit organisations. Amongst the institutional credit institutions, RRBs are supposed to be the prominent one due to its special features. This paper analyzes the performance of RRBs in India during the period 1975 to 2015. The study is based on secondary data collected from annual reports of NABARD and RBI. An analytical research design of Key Performance Indicators Analysis such as number of banks and branches, deposits, loans, investments, Purpose-wise direct advances of Regional Rural Banks and growth rate index is followed in the present study. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of RRBs has significantly improved.

Keywords: RRBs Performance, Rural Credit, NABARD, Institution

Introduction

Rural development occupies a significant place in the overall economic development of the country. Institutional finance is an important pre-requisite for rural development of the country. Since independence, it has been constant endower of our policy maker to give adequate trust to rural development as the sector is directly related to agriculture and touching more than half of the population of the country. In the existing credit delivery system, there are four channels for institutional credit in rural areas, viz. (i) Commercial Banks (ii) Regional Rural Banks (RRBs) (iii) Short term co-operative credit institutions namely Primary Agricultural Credit Societies (PACS) and their apex body at the district level namely District Central Co-operative Banks and at State level State Co-operative Banks (SCBs) and (iv) Long term co-operative credit organisations *Assistant Professor Department of Commerce Ramjas College University of Delhi.**Assistant Advisor Reserve Bank of India Mumbai. Amongst the institutional credit institutions, RRBs are supposed to be the prominent one due to its special features.

Nationalisation of commercial banks in 1969 failed to penetrate the rural areas. The benefits of the institutional credit continued to be cornered by the economically influential and politically powerful sections of the society; hence the need was felt for establishing financial institutions specialised to cater to the needs of the rural poor in order to fill-up the regional and functional gap in the financial credit available to rural areas. Regional Rural Banks (RRB) was established under the provisions of an ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for

¹ Assistant professor Department of Commerce, Ramjas College University of Delhi

agriculture and other rural sectors. The RRBs mobilize financial resources from rural/semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. RRBs are jointly owned by GoI, the concerned State Government and Sponsor Banks (27 scheduled commercial banks and one State Cooperative Bank); the issued capital of a RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively. As per provision of Regional Rural Banks Act 1976 the authorized Capital of each RRBs is Rs. 5 crore and issued capital maximum of Rs 1 crore. Main objectives of RRBs are to provide banking services to the rural masses and extending wide variety of financial assistance to the weaker and poorer sections of rural society.

Table 1: Percentage Distribution of households' cash loans outstanding by credit agency				
	Rural		Urban	
Credit Agency	2002	2012	2002	2012
1. Institutional Agencies (of which)	57.1	56	75.1	84.5
Co-op. Society/bank	27.3	24.8	20.5	18.0
Commercial bank including RRBs	24.5	25.1	29.7	57.1
2. Non-Institutional Agencies (of which)	42.9	43.9	24.9	15.5
Professional Moneylender	19.6	28.2	13.2	10.5
Relatives and Friends	7.1	8.0	7.6	4.2
Total	100	100	100	100

Source: All India Debt and Investment Survey 2002 & 2012

Objectives of RRBs

The RRBs were established with an objective as a low cost financial intermediation structure in the rural area to ensure sufficient flow of institutional credit to agriculture and other rural sector. RRBs were expected to have local feel and familiarities of the cooperative banks with the managerial expertise of the commercial banks. These banks are required to undertake:

- (i) Granting of loans and advances to small and marginal farmers, agricultural labourers, co-operative societies, agricultural processing societies, primary agricultural credit or farmers societies for agricultural purposes or agricultural operations or for other purpose; and
- (ii) Granting of loans and advances to artisans, small entrepreneurs and person of small means engaged in trade and commerce or industries or other productive activities, within its area of operation².

In pursuance of the recommendation of Dantwala Committee and on the advice of the Steering Committee on RRBs (1977), These banks also render other banking services such as (a) Collection of

²The Regional Rural Bank Ordinance Reserve Bank of India Bulletin, Bombay, January 1975, p.62.

cheques and bills, (b) Issue of drafts, MTS/TTS and (c) Miscellaneous service such as collection of insurance premium electricity bills, safe custody etc.

The RRBs are further empowered to extend credit to “other farmers” who are cultivating land within the project area approved for refinance by ARDC. Such financing, however, is allowed by the RBI on the condition that the RRB has been participating in the land development schemes in the project approved for finance by ARDC; such “other farmers” to be financed by the RRB who are cultivating land within specific area; there should be a preponderance of small and marginal farmers in the areas concerned; and the relaxation relates only to long term loan and not to be short-term loans in the form of crop loans. The RRBs provide loans mainly for production purposes. However, small portion may be earmarked for consumptions purposes like educational or medical expenditure. A ceiling is generally placed on the loan that can be granted to an individual and co-operative society³.

Though RRB is a commercial banks but also incorporates the good quality of co-operative element. The RRBs differ from commercial banks in such a way that their area of operation is limited to a particular region comprising one or more in any state. They grant loans and advances mainly to small and marginal farmers, agricultural labourers and rural artisans, small entrepreneurs and persons of small means engaged in trade and other productive activities in the area of operation. The lending rate of the banks is not higher than the prevailing lending rates of co-operative societies in any particular state⁴.

Review of Literature

The literature available in the working and performance of RRBs in India is a little limited. The literature obtained by investigators in the form of reports of various committees, commissions and working groups established by the Union Government, NABARD and Reserve Bank of India, the research studies, articles of researchers, bank officials, economists and the comments of economic analysts and news is briefly reviewed in this part.

Kumar Raj (1993) carried out a study on the topic “Growth and Performance of RRBs in Haryana”. On the basis of the study of RRBs of Haryana, it is found that there was an enormous increase in deposits and outstanding advances. The researcher felt the need to increase the share capital and to ensure efficient use of distribution channels of finance to beneficiaries.

A. K. Jai Prakash (1996) conducted a study with the objective of analyzing the role of RRBs in Economic Development and revealed that RRBs have been playing a vital role in the field of rural development. Moreover, RRBs were more efficient in disbursement of loans to the rural borrowers as compared to the commercial banks. Support from the state Governments, local participation, and proper supervision of loans and opening urban branches were some steps recommended to make RRBs further efficient.

According to Nathan, Swami (2002), policies of current phase of financial liberalization have had an immediate, direct and dramatic effect on rural credit. There has been a contraction in rural banking in general and in priority sector lending and preferential lending to the poor in particular.

Chavan and Pallavi (2004) have examined the growth and regional distribution of rural banking over the period 1975-2002. Chavan's paper documents the gains made by historical underprivileged region of east,

³ Report on the Review Committee on Regional Rural Banks, Reserve Bank of India, Bombay The Regional Rural Bank Ordinance Reserve Bank of India Bulletin, Bombay, January 1975, p.62, 80-86.

⁴ Report on Currency and Finance, Vol. I, 1974-75, p.119.

northeast and central part of India during the period of social and development banking. These gains were reversed in the 1990s: cutbacks in rural branches in rural credit deposits ratios were the steepest in the eastern and northeastern states of India. Policies of financial liberalization have unmistakably worsened regional inequalities in rural banking in India.

Research Methodology

The present study is diagnostic and exploratory in nature and makes use of secondary data. The relevant secondary data have been collected mainly through the data bases of Reserve Bank of India (RBI), National Bank for Agricultural and Rural Development (NABARD). The journals like the Banker and the Journal of Indian Institute of Bankers have also been referred. An attempt is made here in this paper to examine the rural credit structure of the country and the role played by the RRBs. The study is confined to the specific area like branch expansion C/D ratio loans and advances made by the RRBs Deposit and Credit Mobilisation by RRBs in India Purpose-wise Classification of Direct Advances of Regional Rural Banks and Investment in Approved securities in Regional Rural Banks starting from 1975-2015. In order to analyze the data and draw conclusions in this study, on the basis of percentage and various statistical tools accomplished through EXCEL.

OBJECTIVES OF THE STUDY

1. To evaluate progress of the RRBs during 1975- to 2015.
2. To analyses Purpose -wise Direct Advances of Regional Rural Banks
3. To study the growth-pattern of Regional Rural Banks in India.
4. To make important suggestions to improve the working of RRBs.

Growth of RRBs in India

The RRBs form the latest components of multi-agency credit system to developed banking activities in rural areas for rural development. The principle objective behind the establishment of RRBs is to "make available institutional credit to the weaker section of society who had by far little or no access to cheaper loan and had been dependent on the private money lenders"⁵. It is with this spirit RRBs have come to provide low cost credit, generate employment opportunities and thereby to raise standard of living of rural masses. RRBs has taken the banking service to the door step of rural masses particularly in banking areas. The first five RRBs set up in 1975 and their number grew up to 196 by 1987. The Government of India initiated a process of structural consolidation of RRBs by amalgamating RRBs sponsored by the same bank within a State, with a view to provide better customer service by having better infrastructure, computerization, experienced work force, common publicity and marketing efforts etc. The amalgamated RRBs also benefit from larger area of operation, enhanced credit exposure limits for high value and diverse banking activities. As a result of the amalgamation, the number of the RRBs has been reduced from 196 to 82 as on 31 March 2011. The number of branches of RRBs increased to 16001 as on 31 March 2011 covering 620 districts throughout the country. At present there are 12 crore customers at 19,000 bank branches of all 56 regional rural banks.

During the last 45 years, RRBs have been active participation in programmes designed to provide credit assistance to identified beneficiaries under the new 20-point programme IRDP and other special

⁵ Government of India Report on Working Group of RRBs, New Delhi, Government of India, p.22.

programmes for Scheduled Castes and Scheduled Tribes. They are also implementing Differential Rate of Interest (DRI) scheme for the weaker sections and physically handicapped person. The progress of RRBs presented in Table 1.

Table 2 : Progress of Regional Rural Banks in India

(Amount in crore of Rs.)

No.	Year	No. of RRBs	No. of District Covered	No. of Branches	Total Deposit	Total Advance	C.D. Ratio
1	1975	6	12	17	0	0	50
2	1976	40	84	489	8	7	90
3	1977	48	99	1189	33	42	128
4	1978	51	102	1753	74	122	164
5	1979	60	111	2420	124	167	135
6	1980	85	144	3279	200	243	121
7	1981	107	182	4785	336	407	121
8	1982	124	214	6191	520	577	119
9	1983	150	265	7795	678	751	110
10	1984	173	307	10245	960	1081	112
11	1985	188	333	12606	1286	1408	109
12	1986	194	351	12835	1715	1785	104
13	1987	196	363	13353	2306	2232	96
14	1988	196	369	13920	2966	2804	94
15	1989	196	369	14079	3119	2918	93
16	1990	196	372	14443	4151	3554	85
17	1991	196	381	14527	4989	3609	77
18	1992	196	392	14539	5868	4091	69
19	1993	196	398	14543	6938	4627	66
20	1994	196	408	14542	8827	5253	59
21	1995	196	425	14509	11150	6291	56
22	1996	196	427	14497	14188	7505	52
23	1997	196	427	14461	18032	8718	48
24	1998	196	448	14450	22189	9861	44
25	1999	196	451	14406	25428	11356	43
26	2000	196	451	14422	30051	13109	43
27	2001	196	484	14452	35995	15211	42
28	2002	196	-	14390	44539	17710	40
29	2003	196	-	14433	48346	21773	45
30	2004	196	518	14446	57010	25881	45
31	2005	196	-	14484	62143	31803	51

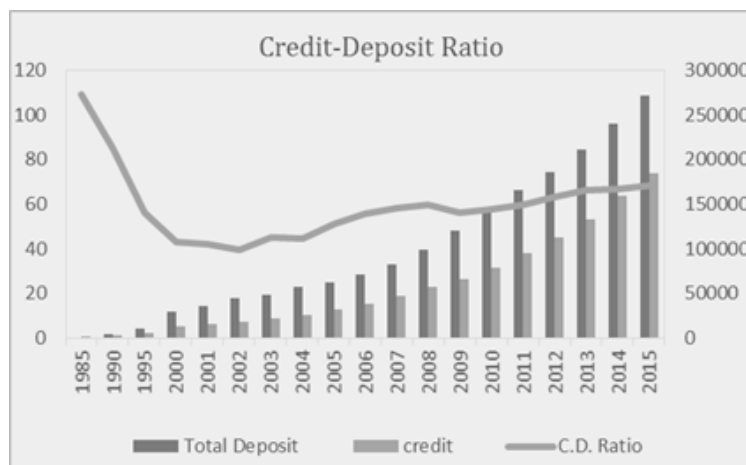
32	2006	133	534	14489	71329	38520	56
33	2007	96	594	14563	83144	47326	58
34	2008	90	617	14790	99093	57568	60
35	2009	86	618	15524	120189	65609	56
36	2010	82	620	15475	145035	79157	58
37	2011	82	620	16024	166232	94715	60
38	2012	82	622	16914	186336	113035	63
39	2013	64	622	17867	211457	133098	66
40	2014	57	635	19082	239494	159406	67
41	2015	56	642	20059	271329	184843	68

Source: NABARD Statistical Report Institutional Development (RRBs Division Various Issues from 1975-98) and Hand Book of Indian Economics various issue (RBI) and Report on Trend and Progress in Indian Banking (RBI).& NABARD various issues .

Branch Expansion of RRBs

The RRBs started functioning from October 1975 with 5 RRBs and 13 branches covering 11 districts in four different states. A phenomenal growth was witnessed in the first year of establishment of rural banks itself. By the end of 1976 there were 40 RRBs spread over 84 districts of the country with a network of 489 branches. The year wise growth in the branch network of these banks is given in Table .2.

It may be seen that the progress in the setting up of new RRBs was very slow in 1976 that only 20 RRBs could be established in three year period till end of 1979. It may be due to some uncertainty about the future of RRBs. Accordingly on June 23, 1977, the RBI appointed a Committee to review the working of RRBs under the Chairmanship of Professor M.L. Dantwala which put an end to the uncertainty by concluding “the RRBs have demonstrated their capability to serve the purpose for which they were established. They have established their image as a new type of institution catering to the credit needs of a class of borrowers to whom institutional credit was hitherto not available. The Committee is therefore definitely against the idea of scrapping the RRBs structure”⁶.



⁶ RBI (1978) Report of the Review Committee on RRBs, op.cit., p.74.

Further, it suggested the RRBs should become an integral part of the rural credit structure. The rapid growth in the rural banks and their branches have been observed during 1980-85. During this period 128 RRBs were setup and 10186 branches were opened. This was the peak period in the history of rural banks as 65.31 per cent of RRBs and 70.20 per their total branches as at the end of 1990 were opened during 1980-85.

The number of branches continued to be increased up to 14543 in 1993. During 29 years period from 1975 to 2004. The number of RRBs increased 32 times from 6 to 196 where as the number of branches went up 850 times from 17 to 14452. The performance of RRBs in the field of branch expansion has been quite satisfactory. In order to know the results of amalgamation of RRBs in September 2005, the number of RRBs has been decreases up to 56 in 2015. As on March 2015, 56 RRBs operated with a network of 20059 branches covering 652 districts. 75 per cent of the branches of RRBs were in rural areas.

Table 3 : Deposit and Credit Mobilisation by RRBs in India

(Amount in Rs. Crore)

Year	Average Deposit per RRBs	Average Deposit per Branches	Average Advances per RRBs	Average advances per Branches
1976	0.20	0.02	0.18	0.01
1977	0.69	0.03	0.88	0.04
1978	1.45	0.04	2.39	0.07
1979	2.07	0.05	2.78	0.07
1980	2.35	0.06	2.86	0.07
1981	3.14	0.07	3.80	0.09
1982	4.19	0.08	4.65	0.09
1983	4.52	0.09	5.01	0.10
1984	5.55	0.09	6.25	0.11
1985	6.84	0.10	7.49	0.11
1986	8.84	0.13	9.20	0.14
1987	11.77	0.17	11.39	0.17
1988	15.13	0.21	14.31	0.20
1989	15.91	0.22	14.89	0.21
1990	21.18	0.29	18.13	0.25
1991	25.45	0.34	18.41	0.25
1992	29.94	0.40	20.87	0.28
1993	35.40	0.48	23.61	0.32
1994	45.04	0.61	26.80	0.36
1995	56.89	0.77	32.10	0.43
1996	72.39	0.98	38.29	0.52
1997	92.00	1.25	44.48	0.60
1998	113.21	1.54	50.31	0.68
1999	129.73	1.77	57.94	0.79

2000	153.32	2.08	66.88	0.91
2001	183.65	2.49	77.61	1.05
2002	227.24	3.10	90.36	1.23
2003	246.66	3.35	111.09	1.51
2004	290.87	3.95	132.05	1.79
2005	317.06	4.29	162.26	2.20
2006	536.31	4.92	289.62	2.66
2007	866.08	5.71	492.98	3.25
2008	1101.03	6.70	639.64	3.89
2009	1397.55	7.74	762.90	4.23
2010	1768.72	9.37	965.33	5.12
2011	2027.22	10.37	1155.06	5.91
2012	2272.39	11.02	1378.48	6.68
2013	3304.02	11.84	2079.66	7.45
2014	4201.65	12.55	2796.60	8.35
2015	4845.16	13.53	3300.77	9.21

Source: NABARD Statistical Report Institutional Development (RRBs Division Various Issues from 1975-98) and Handbook of Statistics on Indian Economy and Report on Trend and Progress in Indian Banking (RBI). Various issues.

Deposit Mobilisation of RRBs

Mobilisation of deposits is one of the major task of RRBs. It depends upon the saving capacity, saving habit of the people and the area in which the bank is operating. It also depends on the potential of the area concerned and the business policy of the Reserve Bank of India. They have performed well in respect of deposit mobilisation. There has been continuous increase in the deposit account of the RRBs. Deposits increased not only in terms of the aggregate but also in term of per bank and per branches. Table 3 shows that the deposits increased from Rs. 20 crore in 1975 to Rs. 1285.82 crore in 1985, Rs. 22189.23 crore in 1998, Rs. 35995 crore in 2001. And Rs.62143 crore in 2005 pre amalgamation period. Post amalgamation the number of RRBs was reduce to 56 as on 31 march 2015 with branch network of 20059 branches covering 644 notified districts in 26 State and UT of Panducheri. The amount of deposit of RRBs increase to Rs.271329 crore at the end of 2014-2015. Registering 13.29 per cent growth over previous year (234494 crore as on 31 march 2014) The deposit mobilisation per RRBs increased from Rs. 0.02 crore to Rs. 4845.16 crore during 1975 to 2015. The average deposit per branch was equal to Rs.9.21 crore in March 2015 as against Rs. 0.015 crore in 1976, Rs. 0.13 crore in 1985, Rs. 0.28 crore in 1990, Rs. 1.53 crore in 1998, and Rs. 2.2 crore in 2005, and after amalgamation average Deposit per branches has been increased to Rs. 5.12 crore in 2010. Financial assets like bank deposits have now come to be an important form of saving in rural areas. These banks are however yet to mobilise a significant share of the rural saving.

Advances of RRBs

The advances are the crucial components of the business plan of the RRBs. RRBs had tried to touch the doors of each and every neglected section of the society. They devote special attention to the weaker sections and target groups in order to enable them to participate in the activities and share the benefits of rural development. Their advances are predominantly confined to the needs of the weaker section.

RRBs provide short term loan and medium term loan to the rural poor. There has been continuous increase in the aggregate advances of RRBs in India. It increased from Rs. 0.10 crore in 1975 to Rs. 959.97 crore in 1985, Rs. 6290.96 crore in 1995, Rs. 9860.81 crore in 1998, Rs. 1263.00 crore in 2000, Rs. 15211.00 crore in 2001, which was increase up to Rs.31803 in 2005, and Rs.184843 crore in 2015. There was a substantial growth in outstanding loans and advances in the last 10 years.

The advances of RRBs had increased not only in terms of aggregate of all the banks put together but also in terms of per bank and more importantly per branch. The advances made per bank increased from Rs. 0.18 crore in 1976 to Rs. 50.31 crore in 1998 in Rs. 77.6 crore in 2001, Rs.162.26 crore in 2005 and increase up to Rs.3300.77 crore in 2015. The average advance per branch of Rs. 0.014 crore in 1976 increase to Rs.9.21 crore in 2015.

CD Ratio

The credit deposit ratio of the Regional Rural Banks, indicates the percentage of credit out of deposit mobilized by the banks which has been furnished in table 2. The table depicts that CD ratio increase from 50 percent in year 1975 to 68 percent in 2015. There has been consistent growth in sphere of credit deposit ratio the year 1978 registered a higher rate i.e. 164 percent.

Purpose-wise Direct Advances of Regional Rural Banks

The purpose-wise direct advances of Regional Rural Banks has been classified in Table .4 along with the indirect advances and total advances. The classification covers the period from 1982 to 2013. The direct advances of RRBs has been divided into Short-term (Crop loan), Agricultural investment and allied activities, Rural artisans/village cottage industries, Retail trade business/self-employment, Consumption loan and other purposes. The purpose-wise break-up of loans and advances by RRBs on various years indicates that there is almost equal distribution of agricultural loans between crop loan and term loans which constitutes a major part of the direct advances of RRBs. The analysis of direct advances further reveals changing trend in the advance pattern.

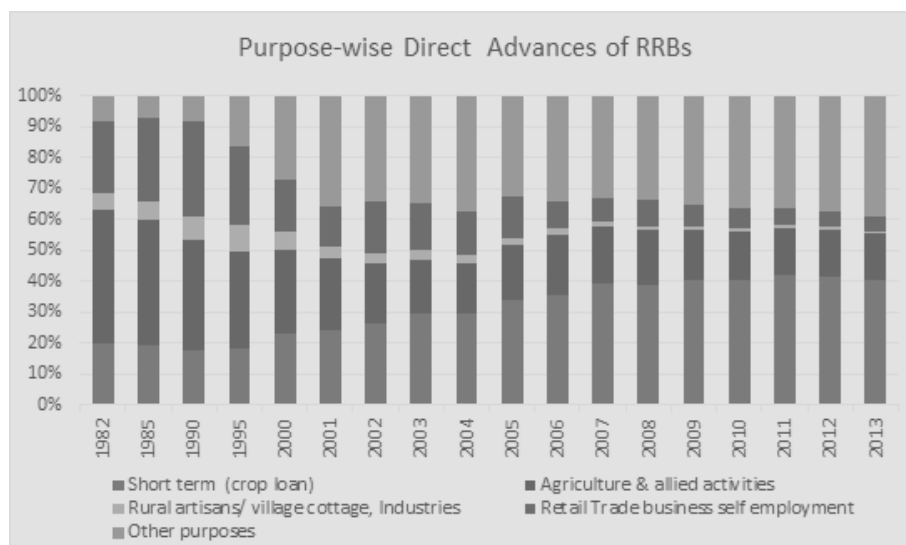


Table. 4: Purpose-wise Classification of Direct Advances of Regional Rural Banks

(Amount in Rs. crore)

Year	Short term (crop loan)	Agriculture & allied activities	Rural artisans/ village cottage, Industries	Retail Trade business self employment	Consumption loan	Other purposes	Indirect advances	Total
1982	108.64 (18.82)	238.2 (41.27)	30.63 (5.31)	124.7 (21.61)	2.62 (0.45)	46.91 (8.13)	25.41 (4.4)	577.11 (100)
1985	264.16 (18.77)	551.4 (39.17)	79.9 (5.68)	366 (26)	10.9 (0.77)	101.85 (7.24)	33.46 (2.38)	1407.67 (100)
1990	615.32 (17.31)	1222.51 (34.4)	276.47 (7.78)	1051.72 (29.59)	54.15 (1.52)	289.97 (8.16)	43.71 (1.23)	3554.04 (100)
1995	1115.09 (18.31)	1893.84 (31.09)	523.29 (8.59)	1555.21 (25.53)	181.87 (2.99)	988.87 (16.24)	32.8 (0.54)	6090.96 (100)
2000	2864.74 (21.85)	3339.14 (25.47)	772.64 (5.89)	2072.85 (15.81)	-	3372.61 (25.73)	23 (0.18)	13108.84 (100)
2001	3670 (23.24)	3547 (22.46)	567 (3.59)	1951 (12.35)	-	5419 (34.31)	-	15794 (100)
2002	4883 (26.21)	3522 (18.91)	671 (3.6)	2984 (16.02)	226 (1.21)	6343 (34.05)	-	18629 (100)
2003	6495 (29.31)	3766 (17)	695 (3.14)	3264 (14.73)	330 (1.49)	7608 (34.34)	-	22158 (100)
2004	7664 (29.35)	4058 (15.54)	715 (2.74)	3607 (13.81)	433 (1.66)	9638 (36.91)	-	26115 (100)
2005	10980 (33.4)	5730 (17.43)	713 (2.17)	4364 (13.28)	580 (1.76)	10504 (31.96)	-	32871 (100)
2006	13877 (34.94)	7632 (19.22)	748 (1.88)	3452 (8.69)	757 (1.91)	13246 (33.36)	-	39712 (100)
2007	18707 (38.58)	8745 (18.03)	736 (1.52)	3677 (7.58)	880 (1.81)	15748 (32.47)	-	48493 (100)
2008	22644 (37.9)	10468 (17.52)	671 (1.12)	5016 (8.39)	1276 (2.14)	19776 (33.1)	-	59751 (100)
2009	26652 (39.31)	10715 (15.8)	772 (1.14)	4690 (6.92)	1656 (2.44)	23317 (34.39)	-	67802 (100)
2010	33208 (39.73)	12621 (15.1)	857 (1.03)	5285 (6.32)	1694 (2.03)	29897 (35.77)	-	83582 (100)
2011	40700 (41.15)	14400 (14.56)	900 (0.91)	5100 (5.16)	2600 (2.63)	35300 (35.69)	-	98900 (100)

2012	46600 (40.03)	17200 (14.78)	1000 (0.86)	5800 (4.98)	3700 (3.18)	42000 (36.08)	-	116400 (100)
2013	55100 (39.44)	20100 (14.39)	1100 (0.79)	6200 (4.44)	4200 (3.01)	53000 (37.94)	-	139700 (100)

Source: NABARD Statistical Report Institutional Development (RRBs Division Various Issues; Handbook of Indian Economics various issue (RBI) and Report on Trend and Progress in Indian Banking (RBI) various issue.

It may be observed from the table that in 1982, 60 per cent of the total advances went to farm sector and 26.92 per cent to rural artisans and retail trade business and self-employment. In 2013, 53.83 per cent of total advances went to farm sector, registering a decrease of 6.17%. In this year, the non-farm sector i.e. rural artisans and retail business accounted for 5.23 per cent (a decrease of 21.69%) of total advances. The term loan give an opportunity to rural poor to create income generating assets. At the same time, the RRBs have to provide funds for working capital and crop loan on a long scale to utilise the assets effectively and efficiently. Hence, decrease in the advances to farm sector is not a good indicator.

The consumption loans increased from Rs. 2.62 crore to Rs. 4200 crore but relatively it is fluctuating between 0.45 per cent to 3.01 per cent of total advances during the period of analysis. The advance for other purposes was only Rs. 46.91 crore in 1982 and it stood at Rs. 53000 crores in 2000. The relative proportion of loan for other purposes gained impressive momentum during the period covered under the study, as it became 37.94 per cent of total advances in 2013 from a merger of 8.13 per cent of total in 1982. The indirect advances accounts for very low part of total advances.

Investment in Approved Securities in Regional Rural Banks

The investment in approved securities in Regional Rural Banks has been given in Table .5 covering the period from 1990-91 to 2015-16. The table highlights that the total investment in approved securities has gone up to Rs. 80018 crores in 2015-16 from Rs. 16 crore in 1990-91. The total investment in approved securities has increased very rapidly after the year 1993-94. The investment in approved securities comprises of investment in government securities and investment in other securities. The aggregate amounts of investment in both type of securities has gained impressive momentum after the year 1993-94. The aggregate amount of investment in government securities increased from Rs. 9 crore to Rs. 78882 crores during the period of analysis. The aggregate amount of investment in other securities has increased from Rs. 6 crore to 1196 crores. It is also clear from the table that investment in government securities accounted for 60 per cent share in total amount of investment, in the first year of analysis. The investment in government securities showed a decreasing trend, with some minor fluctuations, and remained only 20.36 per cent of total in 1999-2000, but again reached up to 98.5% in 2015-16. The proportion of investment in other securities was only 40 per cent of total investment in the 1990-91 and increased 79.64 per cent in 1999-2000, and decreased to 1.5 per cent in 2015-16.

Table: 5 :Investment of RRBs in Government and Other approved Securities

Year	Investment in Government Securities	Investment in Other Approved Securities	Total Investment in Approved Securities	Cash in Hand
1979-80	0.0	0.0	0.0	5.0
1980-81	0.0	0.0	0.0	8.0
1981-82	0.0	0.0	0.0	11.0
1982-83	0.0	0.0	0.0	13.0
1983-84	0.0	0.0	0.0	18.0
1984-85	0.0	0.0	0.0	24.0
1985-86	0.0	0.0	1.0	27.0
1986-87	2.0	1.0	3.0	31.0
1987-88	5.0	1.0	6.0	34.0
1988-89	5.0	1.0	6.0	40.0
1989-90	5.0	1.0	6.0	46.0
1990-91	9.0	6.0	15.0	56.0
1991-92	8.0	17.0	24.0	64.0
1992-93	10.0	37.0	47.0	74.0
1993-94	39.0	52.0	91.0	86.0
1994-95	459.0	375.0	834.0	216.0
1995-96	842.0	983.0	1826.0	177.0
1996-97	723.0	1765.0	2488.0	226.0
1997-98	1011.0	2517.0	3528.0	253.0
1998-99	1191.0	3816.0	5007.0	300.0
1999-00	1224.0	4786.0	6009.0	343.0
2000-01	1642.0	5847.0	7489.0	357.0
2001-02	1970.0	4901.0	6871.0	400.0
2002-03	7673.0	4335.0	12008.0	471.0
2003-04	13324.0	4208.0	17532.0	547.0
2004-05	16970.0	3242.0	20213.0	598.0
2005-06	16787.0	2263.0	19050.0	1155.0
2006-07	20249.0	2175.0	22424.0	1110.0
2007-08	23411.0	1976.0	25387.0	1104.0
2008-09	27118.0	2296.0	29414.0	1226.0
2009-10	38200.8	1028.6	39229.3	1434.0
2010-11	44261.9	1231.2	45493.1	1670.7
2011-12	47179.0	1580.4	48759.4	1820.2
2012-13	49178.1	1170.1	50348.2	1809.9
2013-14	55220.0	934.0	56154.0	2036.0
2014-15	59969.0	1464.0	61433.0	2045.0

Source: Handbook of Statistics on the Indian Economy

Conclusion and Suggestion:

The RRBs mobilize financial resources from rural/semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. RRBs are jointly owned by GoI, the concerned State Government and Sponsor Banks (27 scheduled commercial banks and one State Cooperative Bank); the issued capital of a RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively. As per provision of Regional Rural Banks Act 1976 the authorized Capital of each RRBs is Rs. 5 crore and issued capital maximum of Rs 1 crore. Main objectives of RRBs are to provide banking services to the rural masses and extending wide variety of financial assistance to the weaker and poorer sections of rural society.

The number of branches of RRBs increased to 16001 as on 31 March 2011 covering 620 districts throughout the country. At present 12 crore customers at 19,000 bank branches of all 56 regional rural banks.

The deposit mobilisation of per RRBs increased from Rs. 0.02 crore to Rs. 4845.16 crore during 1975 to 2015. The average deposit per branch was equal to Rs.9.21 crore in March 2015 as against Rs. 0.015 crore in 1976,

The advances made per branch. The advances made per bank increased from Rs. 0.18 crore in 1976 to Rs. 50.31 crore in 1998 in Rs. 77.6 crore in 2001, Rs.162.26 crore in 2005 and increase up to Rs.3300.77 crore in 2015. The average advance per branch increased from Rs. 0.014 crore to Rs.9.21 crore from 1976 to 2015.

RRBs have to provide funds for working capital and crop loan on a long term to utilise the assets effectively and efficiently. Hence, decrease in the advances to farm sector is not a good indicator.

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New initiative taken to strengthen the RRBs:

Additional fund for capitalisation of regional rural banks: At present 56 RRBs have been playing an important role in financial inclusion of villages, covering every district and having nearly 80,000 employees. To strengthen the RRBs in terms of capital requirement Regional Rural Banks (Amendment) Bill, 2014, allowed to raise their authorised capital and will enable them to mop up funds from capital market. Under the present system, the Centre has a 50 per cent share, the sponsor Bank 35 per cent and state government 15 per cent shareholding in the RRBs. In no case will the holdings of the Centre and Sponsor Bank be allowed to go less than 51 per cent. To strengthen the capital base for weak RRBs, the government sanctioned an additional Rs 700 crore for their recapitalisation. These banks were unable to maintain their minimum Capital to Risk weighted Assets Ratio (CRAR) of 9 per cent. A strong capital structure and minimum required level of CRAR will ensure financial stability of RRBs which will enable them to play a greater role in financial inclusion and meeting the credit requirements of rural areas.

Payment and settlement systems: The Payment and Settlement Systems (Amendment) Bill 2014 will help RRBs to address the problem of insolvency in the payment and settlement system by increasing transparency and stability and bring India's banking payment system in sync with international practices.

To strengthen the RRBs Business NPCI brings all RRBs under RuPay network. About 75% of their operations are in rural areas where branches typically need to attend a large number of customers daily. RuPay network will improve customer service and accelerate business growth.

The panel has suggested that RRBs with business less than Rs 30 crore should outsource office attendants for house-keeping and branch maintenance. It has proposed that smaller branches with less than Rs 10 crore total business and less than Rs 6 crore advances should be managed by two people - one officer and an assistant, while RRBs can deploy 15 officials - 10 officers, three assistants and two attendants for the biggest branches with over Rs 200 crore total business and over RS 60 crore advances.

To improving productivity and profitability: To improve the productivity and profitability RRBs are required to become slim by cutting jobs and outsource non-core functions such as IT maintenance, cash remittance and house-keeping. It is required to handle higher volume of business with a lesser number of employees in a core-banking environment backed by modern IT infrastructure (recommendations of SK Mitra committee on HR policy for RRBs). The committee had also suggested steps with a view to improve productivity in RRBs. "RRBs need to redeploy people and re-skill them according to the need. The future profile of RRB employees should match the requirement of modern banking," he said.

N-E states fear loss of stake after regional rural banks' merger

As State Bank of India (SBI) pitches for merger of five regional rural banks (RRBs) in the North-East, state governments of the five states are not on the same page. This is the first time an inter-state merger of RRBs is being proposed. So far, merger of RRBs has been limited to within a state. The merger requires approval by the state and central governments. SBI holds a 35 per cent stake, the Centre 50 per cent, and the respective state governments 15 per cent in each of the five RRBs in the North-East. At a recent meeting with officials of the Mizoram Rural Bank and that of the finance department of the Mizoram government, the state raised issues like dividend to the state from the 15 per cent share in the bank and concerns regarding the churn in human resources post merger. The government of Mizoram also pointed out that although the capital base of the merged RRB would be enhanced substantially, there was no guarantee that in future the proposed entity would not suffer losses due to rising non-performing assets, according to documents on the minutes of the meeting.

"There are several concerns regarding human resources. It was observed that the locally recruited staff would not be posted outside the state. North-East should not be viewed as a culturally homogenous area.

An inter-state merger would also require re-fixing of the seniority among staff, which may not be a practical exercise," according to the minutes of the meeting document.

The five RRBs that are proposed to be merged include Arunachal Pradesh Rural Bank, Meghalaya Rural Bank, Mizoram Rural Bank, Nagaland Rural Bank and Langpi Dehangi Rural Bank (based in Assam). Apart from Mizoram, other state governments have also been reluctant in pursuing the merger, except for Nagaland, as they are apprehensive of their shareholding post-merger. Of the five banks to be merged, Mizoram Rural Bank is the largest in terms of total advances and deposits, which stood at Rs 756 crore and Rs 1,492 crore, respectively, on March 31, 2015. As far as banking sector is concerned, the government is

continuing its attempt to push through their reforms agenda aimed at privatisation of banks, consolidation and merger of Banks, etc.

RBI has announced 'on tap' bank licensing policy to allow more and more private banks. Licenses have been given to big corporate houses to start 'Small Banks' and 'Payment Banks'. More and more private capital and FDI are being encouraged. Associate Banks and other Public sector banks are sought to be merged on the plea that they are small and hence not viable. But Corporates are being given license to start Small Banks, said Venkatachalam.

Bad loans have increased alarmingly to the extent of Rs 13 lakh crore. Instead of taking tough measures to book the culprits and recover the money, more and more concessions are being given to the defaulters. According to Reserve Bank of India's revised guidelines on priority sector lending (PSL), with effect from January 1, 2016, RRBs have to meet a higher PSL target. Under the revised target, 75 per cent of their total loans have to be given to the priority sector, against 60 per cent earlier. Commercial banks have priority sector lending target of 40 per cent priority sector lending includes loans given to agriculture, micro, small and medium enterprises, education, housing, weaker sections, social infrastructure and renewable energy segments. The issue of cutting the PSL target was discussed at a review meeting of RRBs in mid-January. The meeting, among others, was attended by the chairmen of RRBs, and senior officials from the Finance Ministry, the RBI and National Bank for Agriculture and Rural Development.

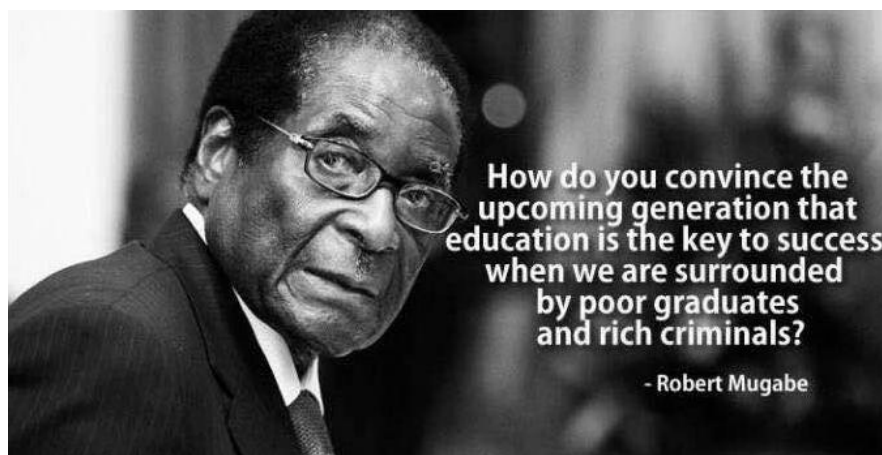
Recapitalization

As per the review undertaken by Dr K.C. Chakraborty Committee on 'Recapitalization of RRBs, for improving the CRAR' in 2010, of the 82 RRBs, 42 were deemed capable of bringing the CRAR to the desired level of 9 per cent on their own. The Gol, along with other shareholders, decided to recapitalize the remaining 40 RRBs, infusing `2200 crore in the proportion of 50:35:15 (Gol: sponsor banks: state governments), as per the recommendations of the Committee. As on 31 March 2015, a cumulative amount of `2076.51 crore had been released to 38 RRBs from 20 states. Of the released amount, `1038.24 crore is the Gol's contribution, `726.78 crore, the sponsor banks' contribution and `311.49 crore being the contribution of various state governments. In addition, a recapitalization fund of nearly `97 crore—in the same proportion of 50:35:15 (Gol: sponsor banks: state governments)—has been released for the Central Madhya Pradesh Gramin Bank to achieve the 9 per cent CRAR target and maintain it. The Manipur government has released its share of `1.05 crore to the Manipur Rural Bank. The sponsor bank (Union Bank of India) has released its share of `2.45 crore; the GOI share is yet to be released.

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AGRICULTURAL SERVICE ACTIVITY AS CLUSTER FORM IN EFFECTIVE START-UP AGRICULTURE EXAMPLE OF UZBEKISTAN.

Akmal Abruev¹

ABSTRACT

Today more important production of economic modeling of this process to assess the more effective economic mechanism, rather than through economic indicators. This modelling is enriched to more effective mechanisms for managing logical. Most advanced specialized in the production of agricultural products in Uzbekistan Taylak " Siyob Shavkat Orzu" which produce livestock product studied as an objective. According to the countries food security policy, despite being limited to the export of meat and dairy products, competitive product is sold to neighbouring provinces. The services in the cluster form of the establishment and development of the system is currently the best alternative on basis of production that could use the conclusions. We think in the future the matters of to develop cluster policy and to perfect its every stages must be attached importance most.

Keywords - agro cluster, the form of cluster, service system, service employment, and marketing- metrology specialists.

I. INTRODUCTION.

Socio-economic activities of the community's social reproduction position is directly related to the case is based on four key components: production, distribution, exchange and consumption. Consumer sector of social reproduction of weapons of incentives to apply them to the rest of the industry, at the same time as a result of this process. The resulting conceptual case, the above-mentioned areas and community activities, not related to the level of detail and summarize them, but figure - forms of services. Services sector activity compatible with the concept of service. Service set of system of services is based on three key principles: the need, operate and service. Economists, sociologists and philosopher's term of the general classification needs, the American scientist A. Maslou argued that the changing needs emphasized the need to develop a set of services [6]. Other famous American economists D.Gelbrey contends that every person engaged in economic activity are delivering services to each other [3]. D. Bellni argued that the higher labor forces reasons for the growth of self-service, and the service as described in this based societies [2]. Uzbek scientists Q.J. Mirzaev describes the concept of agro services [4, 27-28-pp]: " -the conditions of the market economy in the agricultural sector, agricultural production, to meet the needs of modern equipment and technology based on a combination of consumer demand and structures as well as its implementation period of activities aimed at bringing order".

Many developed and developing countries in addressing the socio-economic problems of the mass of the cluster approach is already being used. M. Porter's concept of "Competitive" [5] describes the cluster by the classical sense, that is " - a general description of each activity, representing a purpose, organizations,

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institutions, and they are geographically grouped with a network of formal and informal contacts between the companies”.

In our country, even if it is based on the phenomenon of economic activity clusters, cluster policy has been using the principles of social production. Cluster policy institutional framework designed for all sectors of national economy, including the agricultural sector. The international community recognized the "Uzbek model" of development three of the five principles of in the cluster can be done in the direction of implementing the policy.

1. Head of the government on topical issues of socioeconomic development
2. The economic policy priority
3. Strong social policy

Set the legal framework of the cluster policy of following the laws and developed economy, Private Enterprise Law, The Law On Cooperation, The Law ownership, Competition Law and others.

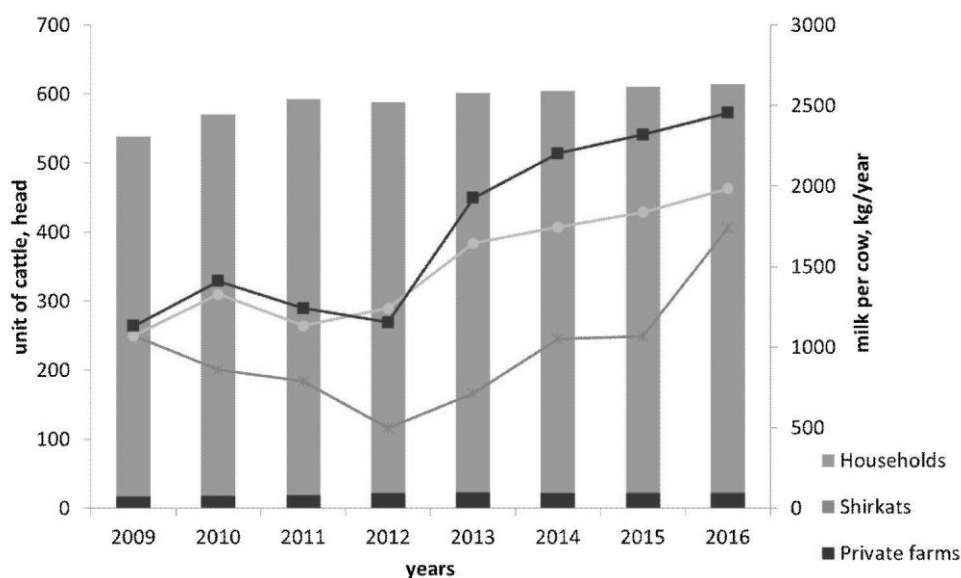


Fig.1. Cows heads in different categories of farm and their milk

II. LITERACHER REVIEW

President of the Republic of Uzbekistan dated February 7, 2017, about movements strategy on 2017-2021 in the 3rd priorities have been defined [1, 3.2] "the rapid development of the service sector, increase the role and the share of the services of the gross domestic product formation, the contents of the services to be provided, first of all, due to their modern high-tech types of cardinal to change". In particular, study the role of services sector in livestock production efficiency and its impact on productivity is one of the pressing issues. ... the cluster has expanded into related, productive sectors, providing inputs and services for agricultural sector [Arion, 2013]. ... related service companies cooperate with participants of the cluster [Molchanov 2016, 39].

III. MATERIALS AND METHODS.

Period transition economy in the agricultural sector, there is plays an important role new approach to the development of network services system in cattle-breeding. The organization of services in the form of the cluster system is currently the best alternative choice on the basis of production use.

Network equipment productivity and efficiency agro service, first of all, material supply, production, breeding, veterinary service and more efficient use of internal resources required. Cluster in the form of service system in accordance with the introduction of agriculture.

Due to the introduction cluster to agricultural production of a wide range of domestic and foreign markets, to ensure the competitiveness of national products, services rendered, the contents of the first modern high-tech types, and they are due to its structure radically change the situation. Some elements of export services are not developed, producers delivering their products to local markets. Same time they are developing their quality standards to WTO requirements.

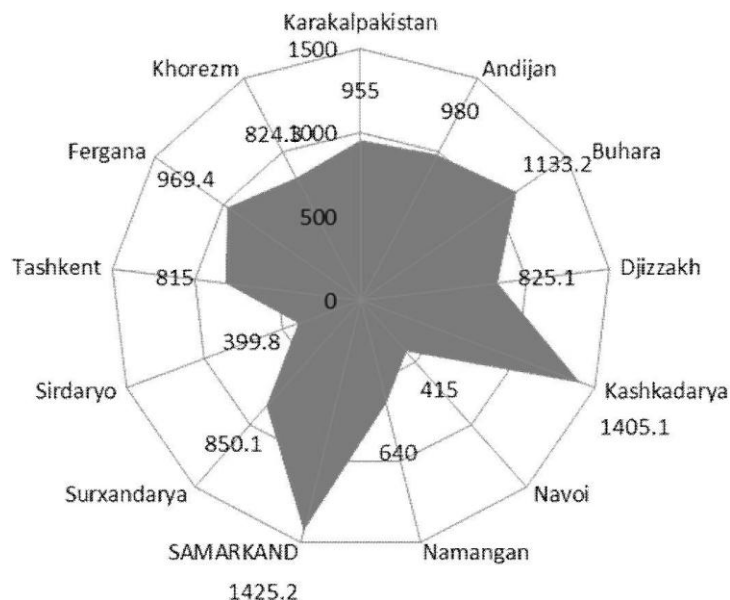


Fig. 2. Cattle head number in Provinces of Uzbekistan (thous. head)

All provinces are engaged in livestock production in Uzbekistan. The bigger numbers of cattle were identified from Samarkand [look fig .2]. The farm data for this empirical application was collected from a sample of 148 cattle-breeding farms located in 12 districts of the Samarkand Province through a farm management survey carried out during of 2012-2016. The highest agricultural production area among the districts was selected.

Taylak district has great potential for agricultural production climate and industrialization of among the others. It close located to the urban area with 10-14 km. Today there are 31 thousand households and 1580 private farms are engaged. They are cultivated 10,755 thousand ha on irrigated land, such agricultural products as 3,967 thousand ha grapes area, 1,499 thousand ha garden area, and were able to produce 427 thousand ton products. In spite of favorable conditions share of subvention of district about 33,7 % in 2017. There were justified pilot farms such as "Siyob Shavkat Orzu" private farm, which share of export of district exceeding 36,7%. Cattle-breeding complex of the farm have not export of meat, milk and milk

products since the government degree, but we could identified the form of agro cluster. More than 40 final milk products are selling to Samarkand and Tashkent high urban areas. Cattle-breeding farm with 2000 of heads leading as one of the larger farm due to high breeding cows, technological change including mechanization, keep close collaboration together agricultural research institution, the use of agricultural chemicals, improved seeds. Almost all categorical series of agro cluster form were justified.

These all production process is highly motivating to service sector development in clustering form. Services are intangible but share of the production is increasing rapidly.

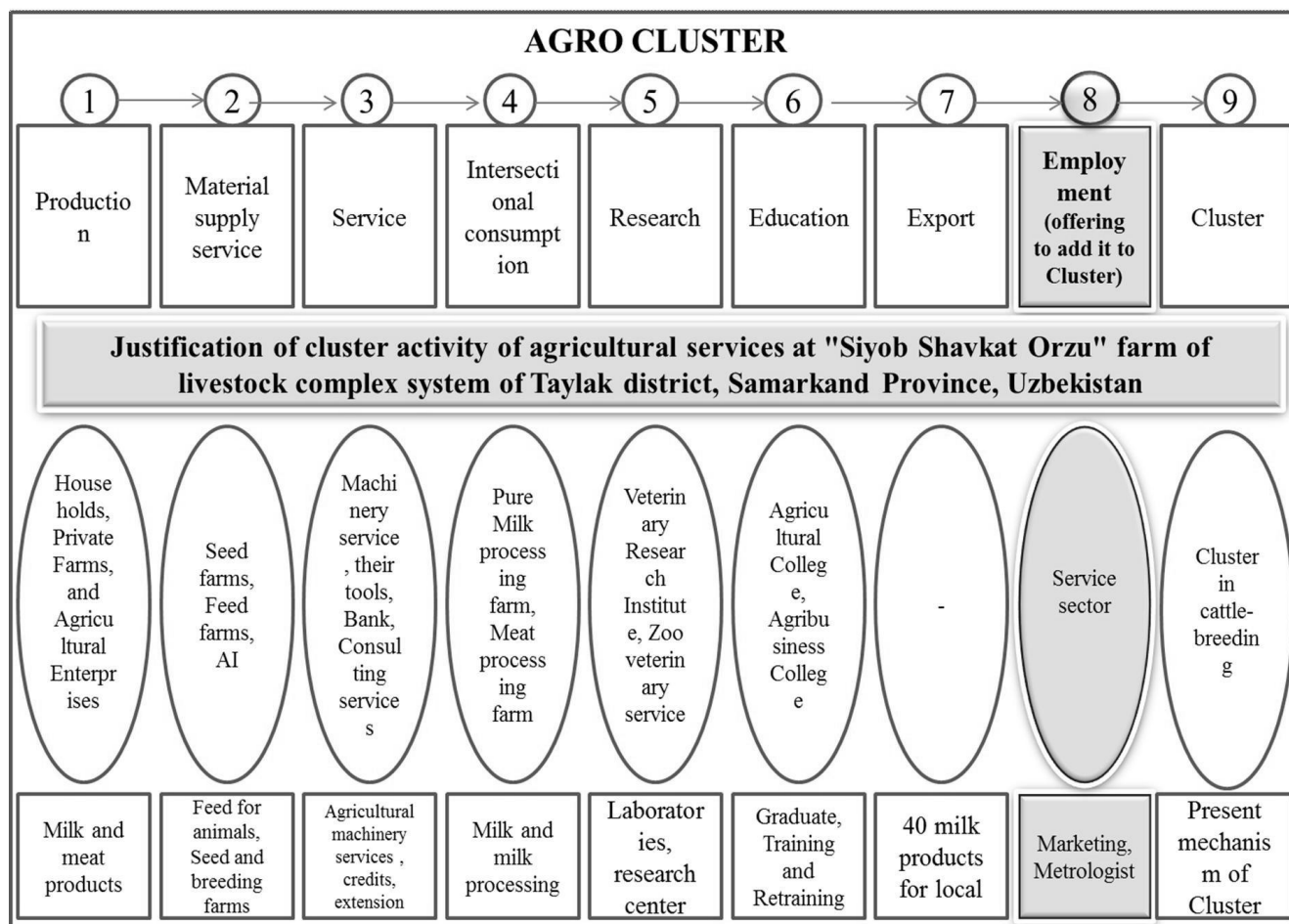


Figure 1. Identification of the form of Agro Cluster in Taylak district in case of "Siyob Shavkat Orzu" farm of livestock complex. Author illustration base of [5].

IV. RESULTS AND DISCUSSIONS.

The cluster form is the perfect view of the service system. This form of cluster covering the following production, material supply, service, intersectional production, scientific research, education, export, and other information fundamentals. In practice Uzbek model and its impact on the country based on the principle of a strong social policy is the introduction of "Employment" section of the shape of the cluster is

considered appropriate. World populism market research, the search for new markets and increase the export potential of agricultural products the presence of the demand for marketing, metrology experts in the field.

In our views, agro- service in form of agro-cluster-secure agricultural production on the basis of continuity, increase productivity and reduce costs per unit of output has been understood as a set of services.

V. CONCLUSIONS.

Today, none of the systems integration (operating company, holding company or concern) includes education, employment, research and coverage. There is need to implement agro cluster form to each district to get competitiveness among the districts, to

increase the agricultural productivity and develop service sector.

1. Justified current form of cluster activity of agricultural services at "Siyob Shavkat Orzu" farm of livestock complex system of Taylak district, Samarkand Province, Uzbekistan
2. Recommended the introduction of a new becoming an employment section in Agro cluster form.
3. Recommended the establishment of the organization of the Centre for Marketing Research.

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MARKETING GWALIOR AS A TOURISM PRODUCT: A COMPARATIVE ANALYSIS

Chandra Shekhar Barua¹

Tourism is essentially a societal expression of natural human instinct for experiencing the alien land & culture, enhancement of knowledge quotient through educative interactions and of course attaining the enjoyment of what could be term das rejuvenation through entertainment. To quote-"the sporadic travels of yore have now dramatically transformed into mass movement of people thereby giving way to world's fastest growing industry, namely TOURISM". Tourism, quite often, and appropriately, is explained by Lincoln a maxim as **"a pursuit of the people, for the people and by the people"**. Obviously when this particular activity revolves, and had been revolving, around human being; this expression needs to be an acceptable elucidation of the phenomenon. The motivational spectrum for tourism is unimaginably multi-dimensional which might span from social to business interests, religious to painstaking involvements and spiritualism to fantasy.. Just to quote a few. An analysis of the state of Madhya Pradesh reveals that the state possesses almost all the resources that could be utilized, and had been used in past also, as touristic appeals to lure hordes of tourists to this princely state.

Gwalior, certainly, has all the potential to become a prominent destination at national and international level. Despite of the hidden treasure that Gwalior has, it is felt that the city is not getting the desirable response-both in terms of tourist traffic and position- which it really deserves. This paper is infect an exercise to carry out a situation analysis to have a clear picture of the inhibitors and repellents that might be demotivating the travelling tribe to explore this historic city and suggest an effective marketing strategy to enable Gwalior and its citizens to reap optimum benefits of tourism and hospitality industry.

To begin with let us discuss the resources that we have and try to marks down the prospective ones that have not been explored from tourism point of view. Department of Tourism, Govt. Of Madhya Pradesh has classified major tourist destinations into the following four categories on the basis of typology of resources:

	Places of Importance	Facilities
Cultural Tourism	Gwalior, Orchha, Khajuraho, Sanchi, Mandu	Heritage Hotels, museums, Craft Villages
Wildlife & adventure Tourism	Pachmarhi, Kanha, Bandhavgarh, Panna, Satpura, Pench Valley national Parks, Tigra lake (Gwalior), Upper Lake (Bhopal), Gandhi Sagar, (Mandsaur)	Log Huts, Camping Grounds, Trekking, Water-Sports, Aero-Sports, Angling, Cruises, Caravans, Tents etc.

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Leisure & Business	Pachmarhi, Khajuraho, Bhopal, Gwalior, Indore,	Convention Centres, Exhibition Grounds, Shopping, Evening,
Tourism	Gwalior, Jabalpur, Ujjain, Indore, etc.	Entertainment, Golf Courses, Country Clubs, Weekend Getaways etc.
Pilgrim Tourism	Ujjain, Maheshwar, Omkareshwar, Chitrakoot, Amarkantak, Sanchi, Bhopal, Orchha etc.	Budget Accommodation, Day shelters, Cafeterias etc.

It is quite evident that Gwalior region has no dearth of natural, cultural and developed resources. A close look at the tour packages being undertaken by the tourists divulges the fact that cultural resources, and only a few of these, are being utilized as tourism attractions at Gwalior. To strengthen the marketing mix of Gwalior there is an urgent need to expand the product base. Further, it would be better to plan innovative activities that ensure active involvement of tourists rather than the passive observation of the monuments that is the sole experience tourists have in Gwalior at the moment. Some of the suggestive activities can be to use Gwalior fort and Tigras dam for soft adventure sports, to develop Gwalior as a unique destination for Yoga & Naturopathy and to promote the carpet & textile industry of Gwalior. Such a step on one hand will ensure far reaching direct and indirect economic benefits to the indigenous community and additionally will be helpful in increasing the length of stay of the tourists in Gwalior, which at the moment is being used as transit city on the way to Khajuraho.

As far as market segment selection is concerned presently most of the agencies & principals situated in Gwalior are more concerned about the international foreign tourists. The paradigm shift in the philosophy of locating the market segments advocates the importance of domestic and locally available customers who can as effectively contribute to the destinations economic as the international tourists. Thus, we are in an era where our market base should be extended to the domestic tourists and must explore the possibilities of creating a set of customers residing in and at nearby places to Gwalior.

In present competitive business environment it is crucial to plan and place the distribution channels so as to make it convenient for the customer to easily access and purchase the facilities, amenities and activities planned for them without wasting time. Once we are through with the product planning and the target segments, we must seek help of professionally managed and reputed business houses or individuals to work for the destination as distribution channels. A strategic network of distribution channels will certainly be helpful in ascending the tourist traffic graph of Gwalior.

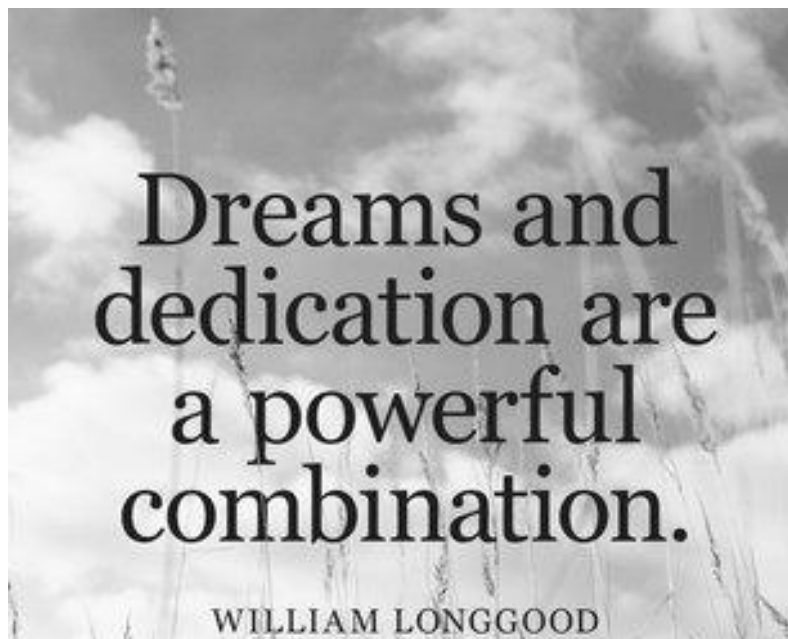
Positioning the destination has become a significant exercise from the point of view of increasing the pull factor. In fact, positioning is the image of the destination against other destinations the tourists hold in their mind. It is strongly felt that Gwalior as a region needs to reposition itself as a safer, vibrant and absorbing destination. This can be achieved by providing a true glimpse of Gwalior to the persons who matter through organizing fam. Trips and strategically using media to make people aware about the touristic richness of Gwalior through carefully planned promotion campaigns.

Before going any further it would be pertinent to do a SWOT analysis of Gwalior to have a better understanding of the possibilities and challenges. Strengths of Gwalior include its monumental heritage,

unique topographical features, strategic location, yoga & naturopathy institutes, presence of educational institutes and craftsmanship. Weaknesses comprise of lack of public awareness and willingness to participate in touristic activities, lack of professionalism, non-connectivity by air, lukewarm marketing efforts and absence of innovative planning. The opportunities revolve around the transit tourists who can use Gwalior as a gateway to Khajuraho, locally available market, and business tourists and, obviously, the utilized potential resources. Thus, there are more green pastures than red signals. However the set of threats includes destinations in neighbouring states promising a similar monumental experience to the tourists, along with prevailing image of the region (from security & safety point of view). A careful planning can definitely yield the desirable outcome.

Lastly about the desirable roles of various stakeholders. Our submission about the Central Governments input is to provide Gwalior a prominent place in their publicity need to confine its efforts to infrastructure development ensuring uninterrupted electricity, water supply and provision of basic medical facilities. It can also be play a major role towards dissemination of information, organization of festivals and interdepartmental co-ordination to create conditions for attracting private sector investment for the tourism sector. The private sector needs to be more innovative and generous on their part. By being “generous” it is meant that they should volunteer themselves actively for betterment of the facilities and creation of a healthy image of Gwalior on National and International levels. The local community requires being more tourist-friendly and aware of the benefits that can be enjoyed by tourist inflow as far as IITTM is concerned, the institute is committed for any cooperation and at every stage to provide inputs required to make Gwalior region as the most preferred open amongst the travelling tribe. Be it training or consultancy or role as a facilitator, our support is ensured at every step.

Conclusively, Gwalior is a golden goose of tourism, but yet to be explored to its fullest potential. A careful planning, a bit of innovativeness, an effective promotional strategy, and a coordinated effort by all the stakeholders... and Gwalior will achieve new horizons.



DEVALUATION ISSUE: HOW TO DEVELOP ITS METHODOLOGY IN CASE OF UZBEKISTAN

Zafar Berdinazarov¹

ABSTRACT

The article analyzes the influence of the devaluation instrument in macroeconomic indicators over the last 20 years of economic development. Analyses of recent years show that the effectiveness of the devaluation policy tool on macroeconomics is not justified by the desired results, as evidenced by the low elasticity of exports in relation to the real effective exchange rate. In order to improve devaluation effect to the economy there is need to solve its methodological aspects based on the elasticity of the exports and imports.

Goal: *The main goal of this study is to improve the methodological aspects of the devaluation instrument and its impact on macroeconomic indicators.*

Methodology: *The methodology of the research is based on the analysis of the impact of the devaluation instrument on the country's macroeconomic indicators. During the analysis, a number of statistical methods were used, such as grouping, comparison, arithmetic mean (variance, standard deviation, coefficient of variation, etc.), as well as Marshall-Lerner conditions in determining the elasticity of exports and imports. The analysis includes long-term (five-year) and short-term (annual) lags.*

Results: *Based on the results of the study, a new approach to determining the level of devaluation of the national currency was proposed and its forecast parameters for the medium-term prospect (2017-2021) were developed.*

Conclusions: *replace the practical approach to conducting a devaluation policy from a "continuously progressive" character to an "intermittent-regressive" method. This method covers all components of structural methodologies that provide the linkage for the implementation of the devaluation of the national currency, including: a) characteristics of actions (principles, conditions, principles, methods, features, norms); B) structure of actions (subject, object, subject, form, stages, and phases). In other words, the method of devaluation should be based on the need for a holistic view of phenomena and processes of action.*

Key words: *devaluation, elasticity of exports and imports, real effective exchange rate.*

JEL: *E24, E27, E39, E52, E65*

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INTRODUCTION

Sustainable economic development of the country and expansion of the intensity of foreign economic relations, along with other factors depends also by the effectiveness of the devaluation policy which is carried out by the monetary authorities. The significance and role of the devaluation policy can be understood in both narrow and broader sense. In the narrow sense, it can be understood as one of the important instruments of monetary policy in order to stimulate the competitiveness of the domestic goods and services in an abroad, by reducing purchasing power parity of the national currency compare to foreign currency.

In a broad sense devaluation is a monetary phenomenon (Dornbusch, 1973). In other words, through the devaluation policy, we can affect directly or indirectly sense to all macroeconomic indicators, such as GDP, consumption, savings, investment, exports and imports, etc.

Analyses show that last five year devaluation policy has not contributed to the development of foreign trade in properly. In particular, the volumes and growth rates of export operations declined over the period (see the analyses in the second part of the article). The coefficient of elasticity of export-import transactions to the real effective exchange rate is very low, and in some cases - completely inelastic, which also characterizes the inefficiency of the devaluation policy as well. At the same time, there are questions: why do we aggressively devalue the national currency, if it does not promote the stimulation of local goods and services in foreign markets? What is the problem, what factors hinder its impact? What kind of approach or methodology should be used in carrying out the effective devaluation policy? What kind of policy tool is needed - "*continuously*" or "*intermittence*", in order to have a multiplier effect on the macroeconomics? In the framework of this article, we will try to answer these questions.

LITERATURE REVIEW

A number of research studies made under this topic by well known scholars and economists such as R.Dornbusch [1], P.Krugman [2], K.Prakash [3], O.Bahmani [4], M.Chin [5-7], W.Thorbecke [8], D.Rodrik [9] and others [10-17].

In particular, R.Dornbusch in his study "Devaluation, money and non-trade goods" characterizes the concept of devaluation as a "monetary phenomenon". It affects the ratio of prices of trade and non-trade goods (parity of the relative purchasing power), which ultimately affects the demand and supply of currency through the export of these goods and services.

In addition, the author pays special attention to the share of trade and non-trade goods and services in the total volume of trade turnover, as well as the share of real money supply in real income, which is GDP. When it comes to non-commercial goods and services, the author has in mind the transfer income of the population. As a result of his research, the following conclusion was made: the role and place of the money supply in the process of devaluation are of great importance; demand and supply of money in the economy (local and foreign) and its impact on pricing condition significantly affect the export of goods and services, which, in turn, lead to devaluation or revaluation of the national currency.

Devaluation as a monetary factor contributes to a decrease in the real purchasing power of the national currency and at the same time affects the change in prices for goods and services between countries. Especially its influence is significant in the types of trade and non-trade goods and services, as evidenced by the need to continuously monitor their movement.

The economist Menzi Chin, in his work "Elasticity of exports and imports for Japan: new estimates," having analyzed the elasticity of Japan's exports and imports to the real effective exchange rate and GDP (real income), concluded that there is a significant statistical correlation between these indicators. In particular, the coefficient of elasticity of Japan's exports, equal to 0.7 coefficients, and of import - 0.3 coefficients, determines compliance with the Marshall-Lerner conditions.

Similar studies have also been conducted with Russian scientists and economists, such as V.Mironov [18], T. Evdokimova [19], etc. In particular, V.Mironov in his study "The Russian Devaluation 2014-2015: falling into the abyss or window of opportunity?" considered the issue called "devaluation pessimism" against the backdrop of the political and economic consequences of the currency shock and the weak reaction of exports and imports to a change in relative prices, which is, their low price elasticity. According to the results of the analysis of the study, the author revealed that the Marshall-Lerner conditions against the background of the last devaluation were not met, that is, the coefficient of elasticity of exports and imports was 0.6 coefficients. The main reason for this was, according to the author, the low inclination of economic agents-owners of the real capital to invest, as well as the structural problems of the economy, which was indicated by the devaluation of the Russian ruble in 2014-2015.

Similar studies in this direction were also conducted by scientists and researchers in Uzbekistan. In particular, S.Chepel [20-22] in his works considered the impact of the devaluation tool on macroeconomic indicators, such as GDP, investments, savings, inflation, exports and imports, etc. for the period 1996-2002. The author analyzed the impact of devaluation in the conditions of multiple exchange rates that existed before the unification of these rates (2003), and also based on the dynamics of changes in the real exchange rate. As a result of the research, he came to the conclusion that devaluation of the official exchange rate had a noticeable destabilizing effect on the entire economy through monetary and technological interrelations.

Sirajiddinov N. [23] considers the issue on the basis of theoretical bases of the influence of the currency regime on macroeconomic indicators. In particular, the author argues that the elasticity of exports from the real exchange rate in the medium and long term inevitably increases, and as a result of the overvaluation of the exchange rate, the volume of exports begins to decline, which inevitably slows down economic growth rates and adversely affects the import of investment resources.

Babakulov T. [24] in his doctoral research paper partially considered the impact of devaluation on macroeconomic indicators, such as the money supply, the volumes of loans issued by commercial banks and attracted deposits, etc. The author on the basis of the theory of the formation of the exchange rate suggested studying this topic in separately in accordance with the theory of the famous Austrian economist F.Mahlap [25].

Unlike domestic scientists who studied the impact of devaluation on the basis of the real exchange rate, in the present study we are studying this question under the real effective exchange rate basis.

At the same time, it should be noted that the scientific developments carried out in the republic are devoted to studying only certain aspects of the monetary policy or currency relations of the republic in the period 2005-2010, including such issues as: improving the methodology for regulating currency relations, ensuring stability of the national currency rate and ways their solutions, theoretical and methodological problems of improving foreign exchange relations, theoretical and methodological aspects of improving the

efficiency of Uzbekistan's foreign trade and so on. Thus, the lack of fundamental developments in this narrow direction determines the actualities of this subject.

In addition, in the economic literature, there are a number of model tools that determine or form the exchange rate on the basis of factor prerequisites. In particular, the Mundell-Fleming model, the monetary model, the Dorunbusch model, the Obstfeld-Rogoff model, the portfolio model, the microstructural model, and other models [26]. The formation of the exchange rate within these models is determined by the influence of the following key factors: the differences between current and future nominal interest rates within and outside the country; the ratio of money supply in these countries; expected inflation; cumulative output and domestic consumption inside and outside the country; as well as the level of public expenditure. All these factors serve as the primary link for constructing a particular model, but cannot be uniquely applicable to all economies of the world. Based on these models, it is possible to form a simplified view of other models that are proposed in this study.

Based on the literature review, we selected the Menzi Chin's methodology to investigate the impact of devaluation on the elasticity of exports and imports of the country through the real effective exchange rate of the national currency. As noted above, it characterizes the price ratio and exchange rate dynamics between trading partners and gives us the most real picture of the effectiveness of the country's foreign economic activity.

ANALYSIS AND INTERPRETATION

Impact of the devaluation policy on internal macroeconomic indicators

(Long term approach)

The internal macroeconomic balance characterizes the balance between aggregate supply and aggregate consumption (Table 1). The data in table 1 show that in 1997-2001 aggregate demand (consumption + investment=absorption) was exceeded over the aggregate supply of \$ 0.1 trillion sum or by 4.0%. This means that the growth of aggregate demand over the aggregate supply contributed to the deficit of aggregate production, which affected the price increase on the part of commodity producers. The price increase was also accompanied by an increase in the demand for money from the consumer side, as a result of which the supply of money to the economy increased three-fold (0.2-0.6 trillion sums) over the years.

Table 1. Macroeconomic balance of the country's economy (in trillion soums)

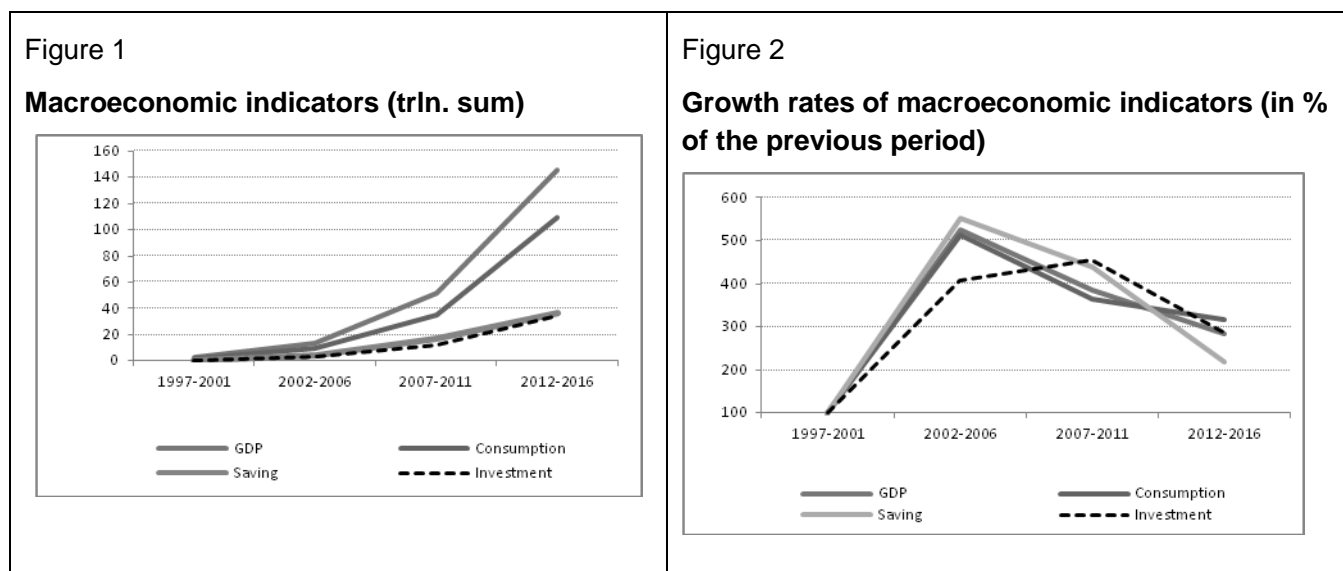
Periods	Aggregate supply – GDP (Y)	Components of aggregate demand $(C + I + X - M)$		Aggregate demand (E)	Balance
		Consumption (C)	Investment (I)		
1997-2001	2,5	1,9	0,7	2,6	Y<E
2002-2006	13,3	9,6	2,7	12,3	Y>E
2007-2011	51,3	34,8	12,2	47,0	Y>E
2012-2016	146,1	109,9	34,7	144,6	Y>E

Note: All indicators are arithmetic mean (see Appendix 1, calculation of variance). The indicators of the aggregate supply (GDP) and investments are calculated on the basis of the annual statistics of the State

Statistics Committee of the Republic of Uzbekistan. Consumption indicators are calculated by simple mathematical summations of GDP, investments and foreign trade balance. The cost of exports and imports in the equivalent of the national currency is calculated based on the average annual nominal exchange rate of the national currency.

Source: author's calculations based on data of State Statistical Committee of the Republic of Uzbekistan.

This trend, in turn, affected the level of inflation, which for the period averaged 36.7% in annual terms. As can be seen from the table 1, at the beginning of the analyzed period (1997-2001) aggregate demand exceeded the aggregate supply, and in subsequent years tended to decrease only. A clearer picture of the trends can be seen in Figures 1 and 2.



Source: author's development based on the data of Table 1.

From the table 1 we can observe also the tendency of the aggregate demand and aggregate supply. If the aggregate demand in the period 2002-2006 was exceeded over the aggregate supply by an average of 8.1% or more than 1.0 trillion sums, this figure for the period 2007-2011 was 9.1% or 4.3 trillion sums, and in 2012-2016 1.0% or 1.5 trillion sums. However, the latter shows that the growth rate of the aggregate supply in comparison with the period 2007-2011 declined by more than 8.0%, which is due to the tightening of the competitive environment in international economic relations. Fig. 2 shows a decline in macroeconomic indicators, starting from 2002-2006.

The following table 2 presents an analysis of the propensity (ratio) of savings, consumption and investment to GDP. As can be seen from the table that the propensity of savings to GDP in 2007-2011 increased to 32.1% compared with 1997-2001 (26.7%), while the propensity to consume declined from 73.3% to 67.9%, respectively (a difference of 5.4%). The propensity of investment to GDP has decreased slightly from 25.8% to 23.7% or by 2.1 percentage points. As a result, the efficiency of the use of savings and investment assets decreased by 38.8% over the analyzed periods.

Table 2. Propensity of consumption, savings and investments to GDP, %

Periods	Consumption	Difference (+;-)	Savings	Difference (+;-)	Investment	Difference (+;-)
1997-2001	73,3	-5,4	26,7	5,4	25,8	-2,1
2002-2006	71,8		28,2		20,0	
2007-2011	67,9		32,1		23,7	
2012-2016	75,2	7,3	24,8	-7,3	23,7	-

Note: The difference between the period of the first three years is determined by comparing the 2007-2011 period. From 1997-2001, the last period - in comparison with 2007-2011.

Source: Author's calculations based on the data table 1.

The overall picture has deteriorated significantly against the background of savings over the past five years (2012-2016), because savings ratio decreased by 7.3%, and consumption ratio to GDP, on the contrary, increased. This means that the subjects began to consume more of their income than to save. The propensity to investment remained unchanged in the range of 23.7%.

Proceeding from the above, the question arises: which factors were the most sensitive to such changes? In our opinion, these are the following factors:

First, the adoption of comprehensive measures, state and investment programs which allowed for profound structural reorganization and modernization of the economy. If the average volume of investments in the period 1997-2001 amounted to 700.0 billion sums, then, compared with 2012-2016, the volume increased 53 times and amounted to 34.7 trillion sum. During this period, the average devaluation of the national currency was carried out 57%.

Secondly, implementation of the coordinated monetary and fiscal policy allowed increasing the volume of credit resources for the economic entities. In particular, over the last five years (2012-2016), compared with the previous five-year period (2002-2006), the average volume of credit resources increased 10-fold and amounted to 35.3 trillion sum. The devaluation of the national currency was carried out on average at the level of 25.8% for period 2002-2006.

Thirdly, the development and return of some large investment projects take a long period on average, 4-5 years, which determines the volume of planned products or services to remain at the same level as during the investment cycle. Also, some sectors of the economy, due to their specific characteristics and the imperfection of their structural and institutional capacities, cannot timely master the investments allocated to them, which leads to a deficit of the aggregate supply, and also to the displacement of investment resources. For 20 years, the displacement of investment resources amounted to an average of 7.0 trillion sum or 12.1% of its total volume.

Fourth, the adoption of timely targeted anti-crisis government programs to prevent the negative consequences of the global economic and financial crises in 1998-1999 and 2008-2009. This measure allowed stabilizing the situation in the economy and increasing the country's GDP.

As noted above, the devaluation policy is a monetary phenomenon. Given this factor, we will try to analyze its indirect impact on GDP, consumption, saving and investment.

The following table 3 shows the average level of devaluation of the national currency for the analyzed periods.

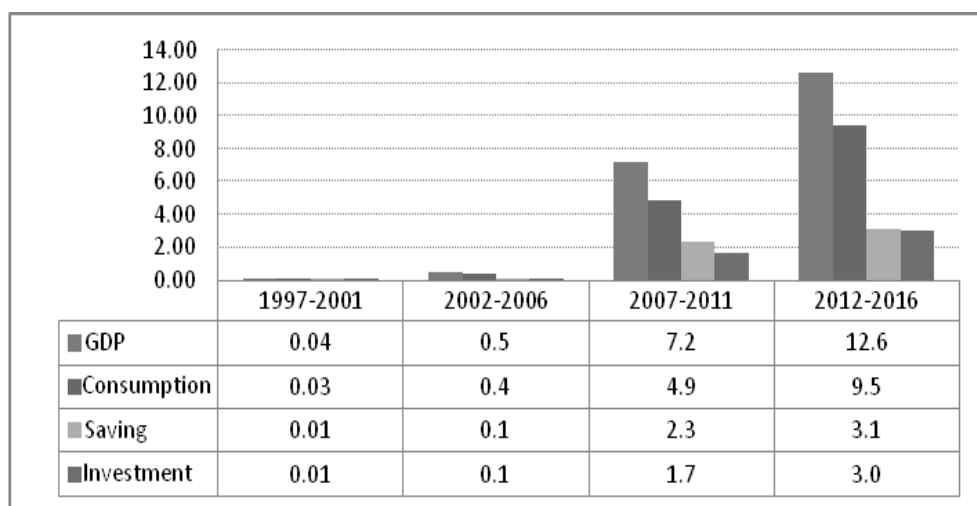
Table 3. The average devaluation of the national currency

Periods	Devaluation, %
1997-2001	57,0
2002-2006	25,8
2007-2011	7,1
2012-2016	11,6

Source: Author's calculations based on the average annual rate of the national currency.

Figure 3 shows the extent to which devaluation affected domestic macroeconomic indicators. As we see, at the highest level of devaluation in the period 1997-2001 (57%), GDP increased by only 0.04 trillion sums, consumption by 0.03 trillion sums, savings and investments by 0.01 trillion sums respectively.

Figure 3. Effectiveness of the impact of devaluation (trillion sum)



Source: author's development based on research.

In other words, 1% devaluation led to an increase in GDP, consumption and investment by 1.8% in 1997-2001, by 3.9% in 2002-2006, by 14.1% in 2007-2011 and by 8.6% in the last period, respectively (see table 4).

Table 4. Effectiveness of the impact of devaluation (%)

	GDP	Consumption	Saving	Investment
1997-2001	1,8	1,8	1,8	1,8
2002-2006	3,9	3,9	3,9	3,9
2007-2011	14,1	14,1	14,1	14,1
2012-2016	8,6	8,6	8,6	8,6

Note: The calculation is carried out in the usual arithmetic way. The total amount of each period is divided by the devaluation level of the corresponding period and multiplied by 100.

Source: Author's calculations based on the research.

This impact (indirect influence) has affected the money supply channels. As we know, with a decrease in the purchasing power of the national currency against the background of devaluation, demand increases, and this demand is compensated by the supply of additional money (Table 5).

Table 5. Broad money supply in the economy

	GDP, trln.sum	Supply of broad money (M2), trln.sum	Change of broad money (M2), times	Level of monetization (% to GDP)
1997-2001	2,5	0,5	-	19,8
2002-2006	13,3	1,7	3,4	13,1
2007-2011	51,3	10,6	6,0	20,6
2012-2016	146,2	34,9	3,3	23,9

Source: Author's calculations based on the research.

As can be seen from table 5, the level of broad money supply in the economy gradually increased. Over the last period compared with 2002-2006 it was increased by an average of 10.6% and amounted to about 35.0 trillion sum. And based on Tables 3 and 5, it is easy to calculate the impact of devaluation on the increase in the money supply, since the 1% devaluation in 1997-2001 increased the amount of money supply by an average of 9.0 million sums or 1.8% out of total M2, in the period 2002-2006 by 68.0 million sums or 3.9%, in 2007-2011 by 1.5 trillion sums or 14.1% and the last period (2012-2016) by 3.0 trillion sums or 8.6%.

Summarizing the first part of our analysis, we can say that devaluation indirectly affects domestic macroeconomic indicators through monetary channels. The effect of devaluation is disproportionate to saving and consumption. That is, a high level of devaluation reduces savings and increases consumption, and vice versa, with a low level of devaluation, savings increase and consumption volumes decrease.

The analysis showed that the level of devaluation is not the main determining factor in the development of the economy; on the contrary, its multiplicative effect plays an important role. That is, the devaluation should not have a "continuous" nature, systematically contributing to the depreciation of the purchasing power of the national currency. This approach is not inherent in this tool. Devaluation should have its specific goals, concept, conditions and influence on circumstances. Without careful analysis and studying its multiplicative effects in general on the macro economy, one can not devalue the national currency in an uninterrupted way. At the same time we need scientifically grounded approach to the implementation of the devaluation of the national currency, which proposed in the part of conclusion of this article.

ANALYSIS AND INTERPRETATION

Impact of the devaluation policy on external macroeconomic indicators

(Long term approach)

External macroeconomic balance in the economy means balance of the country's balance of payments in foreign economic relations. Due to the lack of data on the balance of payments in statistical compilations, we had to analyze its trends based on the trade balance. We think that such an approach will not seriously and negatively affect the overall trend of analysis. The analysis provides comparative data in the sum and dollar terms of the volume of exports and imports, which serve to identify more objective reasons for its impact on the country's foreign trade. The data characterizing the state of the country's foreign trade balance are presented in table 6.

Table 6. **Export-import operations (billion dollar)**

	Export (X)	Import (Im)	Balance (X=Im)	Total turnover
1997-2001	3,5	3,4	X>Im	6,9
2002-2006	4,7	3,7		8,3
2007-2011	12,1	9,2		21,3
2012-2016	13,9	13,1		27,0

Source: Author's calculations based on the annual statistical compendium of the State Statistics Committee of the Republic of Uzbekistan.

The dynamic characteristics of this table are shown in Fig. 4a-6b. In particular, in Fig. 4a you can see the growth in the volume of exports and imports, expressed in sums. However, in Fig. 4b shows that their growth is decreasing, starting from 2002-2006. If we compare this indicator with the last period (2012-2016), then we observe a decrease of almost 6.0 times.

Figure 4a

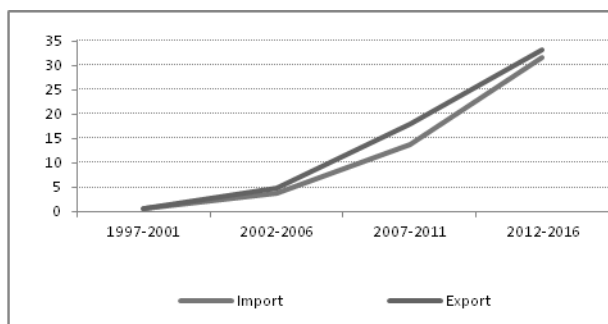
Export and import volumes (trillion soum)

Figure 4b

Growth rate of exports and imports (in% to the previous periods)

Figure 5a

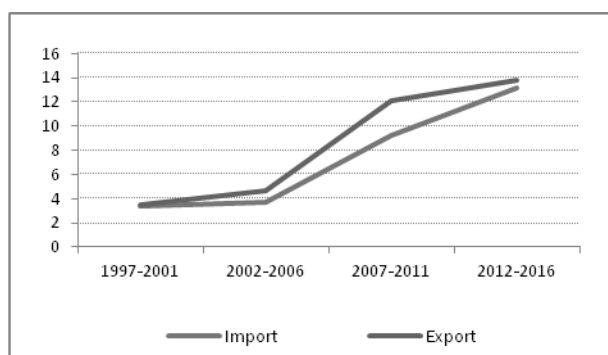
Export and import volumes (billion doll.)

Figure 5b

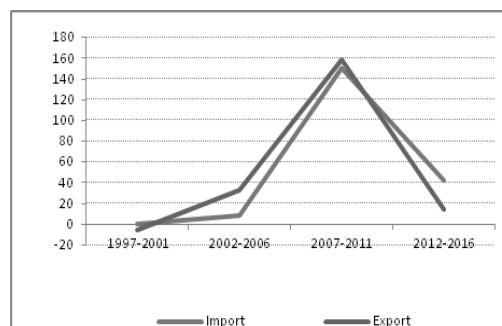
Growth rate of exports and imports (in% to the previous periods)

Figure 6a

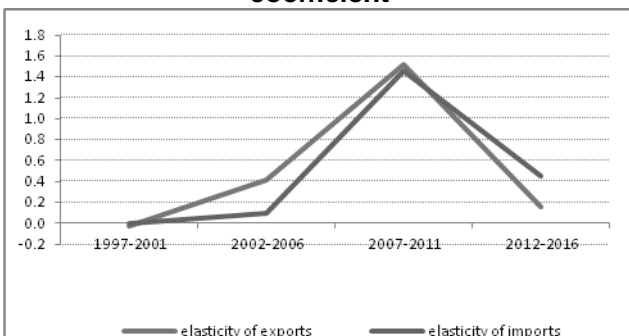
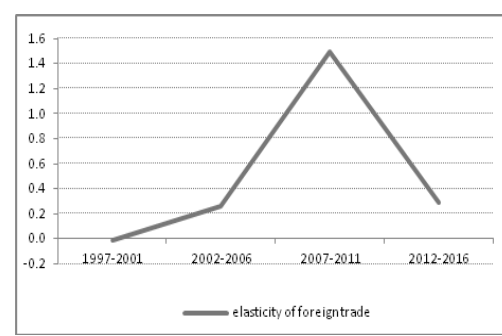
The elasticity of exports and imports to the real effective exchange rate (dollar base), coefficient

Figure 6b

The elasticity of foreign trade to the real effective exchange rate, coefficient.

Note: In Fig. 4a volumes of export and import, expressed in sums equivalent, are calculated on the basis of the official average annual rate of the national currency. The growth rates of exports and imports are

calculated to the previous period. The growth of the period 1997-2001. Determined for the period 1994-1996.

Source: author's development based on research.

Dynamics of export and import volume trends in dollar terms has a different trend compared with sum trend (Figure 5a). As can be seen from figure, the trend of the trajectory and the range of export volumes for the last period (2012-2016) goes to a decrease/reduced, and imports do not change almost. The growth rate of exports fell by 143% in 2012-2016 compared with 2007-2011, and imports by 108% respectively (Figure 5b). This trend is a significant negative signal for the country's foreign trade. This means that the currency offers (supply) also decreased by 143% over the analyzed periods.

A natural question arises: what factors influenced the emergence of this trend? We believe that this trend, along with other factors, was affected by a decrease in the elasticity of exports and imports⁷.

In Fig. 6a shows the dynamics of the elasticity of the volume of exports and imports to the real effective exchange rate index. It can be seen from the figure that the volume of exports in 1997-2001 were inelastic (-0.03 coefficient), and in 2002-2006 and 2012-2016 relatively elastic (0.4 and 0.2, respectively), i.e. below the acceptable value (0.5 coefficient). Only in the period 2007-2011 the elasticity of exports had its importance in international trade and showed the maximum results 1.5 coefficient. The elasticity of exports has deteriorated sharply, especially in the recent period. The decrease in the export elasticity index also affected to the overall foreign trade turnover of the country (Figure 6b).

Questions: what factors influenced such a change in the elasticity of exports and imports? Or maybe this is related to the level of devaluation, which in the last five years has reached only 63% in comparison with our main trading partners, such as Russia (99.7%), Kazakhstan (121.1%), and Ukraine (240.2%)⁸.

In our opinion, the main reason for this is not the level of devaluation (although its place is significant, when other things being equal), the national currencies, and the political factors that were the most impeding reasons for foreign trade with the main trading partners - Russia, Kazakhstan and Ukraine. Against the backdrop of political instability in Ukraine, foreign economic relations between Ukraine and Russia, as well as Russia and other Western countries (the United States, the EU countries, etc.) have deteriorated significantly. The United States and the European Union countries began to apply tough economic sanctions against Russia, which is an important trading partner of Uzbekistan, which had a side effect on trade relations with it. Such measures strongly influenced the overall macroeconomic stability of Russia, which forced them to revise in a new way its economic relations with all trading partners. The country has become more active in terms of increasing domestic production capacity in all spheres of the economy, which has strengthened the competitive environment in international markets, including the regional markets of Central Asia.

⁷ The elasticity of exports and imports means a change in the balance of demand (imports) and supply (exports) for goods and services in international trade relations with partner countries, which arise as a result of changes in the prices of these goods and services at the international price situation. The elasticity of exports means that the demand for local goods and services is more in demand from foreign partners, and the elasticity of imports means that demand for foreign goods and services is becoming more in demand for local partners. The coefficient of elasticity of exports above one coefficient means that export prices are more competitive over import prices, and less than one export elasticity coefficient means the relative level of competitiveness of export prices, and the elasticity of imports means opposite actions in international relations.

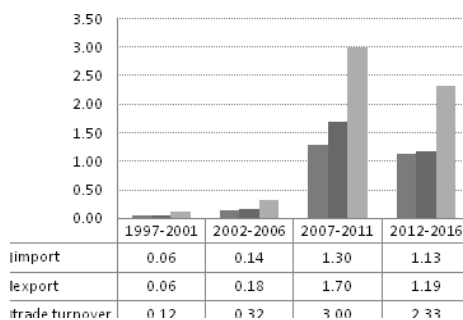
⁸ Authors calculation on the basis of research.

The destabilization of world prices for key commodities (oil, gas, non-ferrous metals, etc.) also contributed to a decline in the economic growth of the Russian economy, which served as a depreciation of the ruble against the US dollar and adversely affected money transfers from Russia to Uzbekistan. Remittances constitute a significant part of the current international operations component in the balance of payments of Uzbekistan. The continuing volatile situation in Ukraine directly exacerbates our bilateral trade relations with this country amid increasing trade and country risks.

In addition, there are a number of other economic factors, such as the build-up of domestic production potential, capacity, the modernization of the economy, the strengthening of the localization and import substitution process, which tighten the competitive environment between the main trading partners and neighboring Central Asian countries. I would like to especially note that the factor "competition" plays a key role in foreign trade. Countries compete among themselves, mainly on the quality and price of the product and services. Figuratively speaking, the quality and price of the product and services constitute the backbone of competition. Quality is the first pillar (basic ground), and the price is the second. For the quality products always come up buyers, despite its price. Therefore, it is considered the first pillar of competition. Proceeding from this, it is necessary to pay special attention to the role and importance of the quality factor, as a locomotive of export activities.

The following figures 7 and 7 show the effectiveness of the effect of devaluation on export-import transactions.

Figure 7

Effectiveness of the devaluation (bln.doll.)

Author's calculations on the basis of research.

Таблица 7

Devaluation efficiency (%)

Periods	Export	Import	Trade turnover
1997-2001	1,8	1,8	1,8
2002-2006	3,9	3,9	3,9
2007-2011	14,1	14,1	14,1
2012-2016	8,6	8,6	8,6

Author's calculations. The calculation is carried out usual arithmetic way. The total amount of each period is divided by the devaluation level of the corresponding period and multiplied by 100.

From figure 7 and table 7 it can be seen that the devaluation of the national currency positively affected the export-import transactions for the analyzed periods, even its effect was decreased significantly in the last period (2012-2016). In particular, if a 1% devaluation led to an increase in the volume of exports and imports of total assets by 60.0 million dollars or 1.8% for the first 5-year period (1997-2001), then for the last period 2012-2016 it led to an increase in their volumes by 8.6% or 1.13 billion doll on imports and 1.19 billion dollars for exports. The most significant effect was observed in 2007-2011, even the level of devaluation was the lowest (on average 7.1%) compared with the rest of the periods.

At the same time, there were rise natural questions: what led to such trends and changes? What factors played the main role? In our opinion, the following reasons served as changes in trends:

- *firstly*, against the backdrop of increasing production capacity of the country's economy, the volume of foreign trade has increased. If the trade turnover amounted to 8.4 billion dollars in 2002-2006, compared to 2007-2011, it increased by almost 13.0 billion dollars and amounted to 21.3 billion dollars;
- *secondly*, because of the global financial and economic crisis that arose in 2008-2009, the economic situation in the countries - our main trading partners such as Russia and Kazakhstan - has deteriorated significantly, which forced them to change their positions in trade relations with Uzbekistan, and this has helped to make our national products and services more competitive in these conditions;
- *thirdly*, in the period 2007-2011 there were more favorable international price conjuncture for some commodities, such as non-ferrous metals, gas-oil, cotton-fiber, and others which contributed to the growth of these export volumes;
- *fourthly*, for the business entities who are engaged in production activities, additionally provided economic benefits (within the framework of monetary and fiscal policy), which helped to increase their export potential.

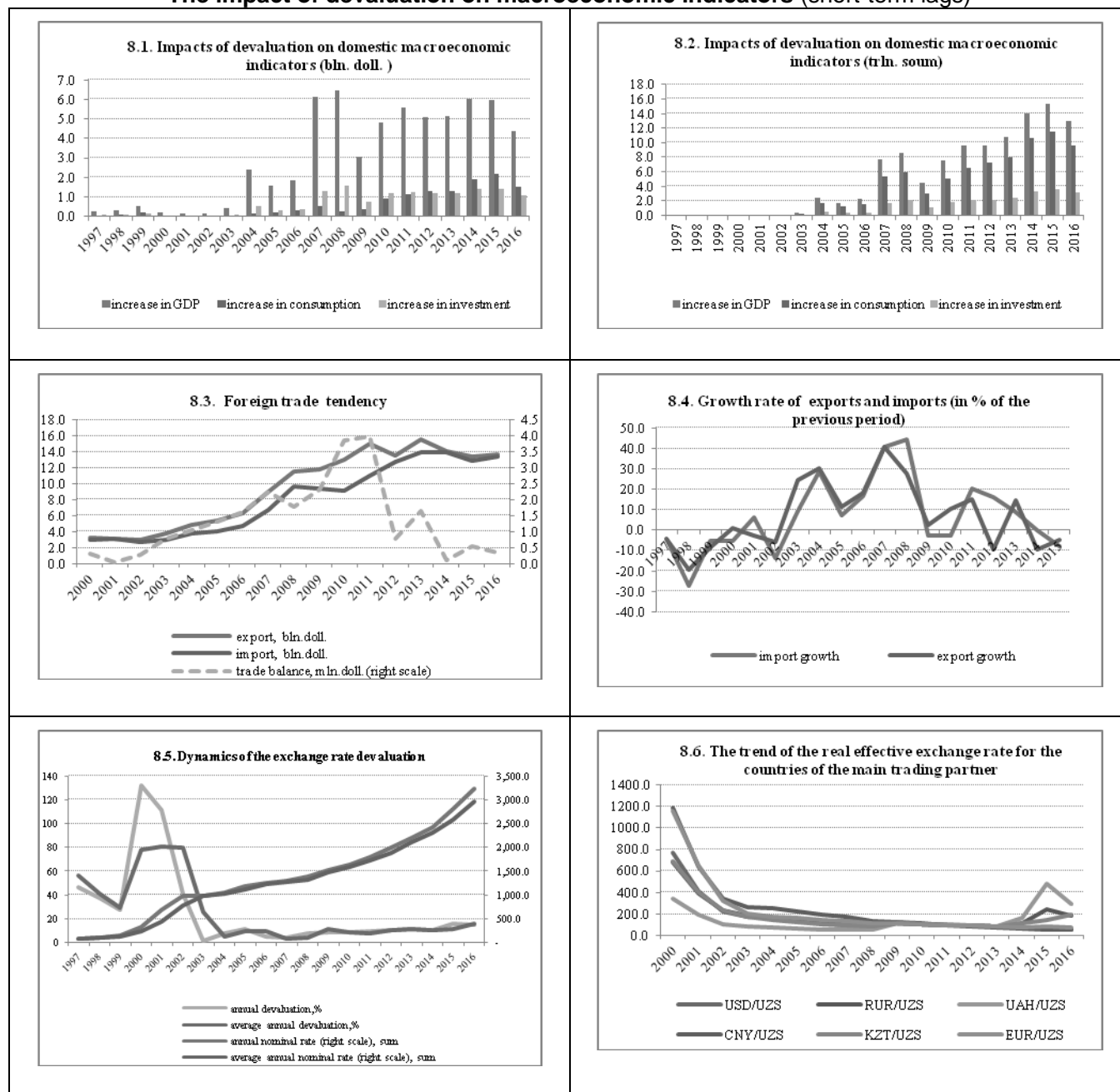
In conclusion, we can say that for the last five years the effect of the devaluation policy on export promotion has significantly decreased. As noted above, a number of economic and political factors influenced these circumstances. One of the most important ones is the decrease in demand for domestic goods and services abroad, as evidenced by the export elasticity factor, which was 0.2 coefficients for the last period, as well as the weakening of the competitiveness of domestic goods in terms of quality and price.

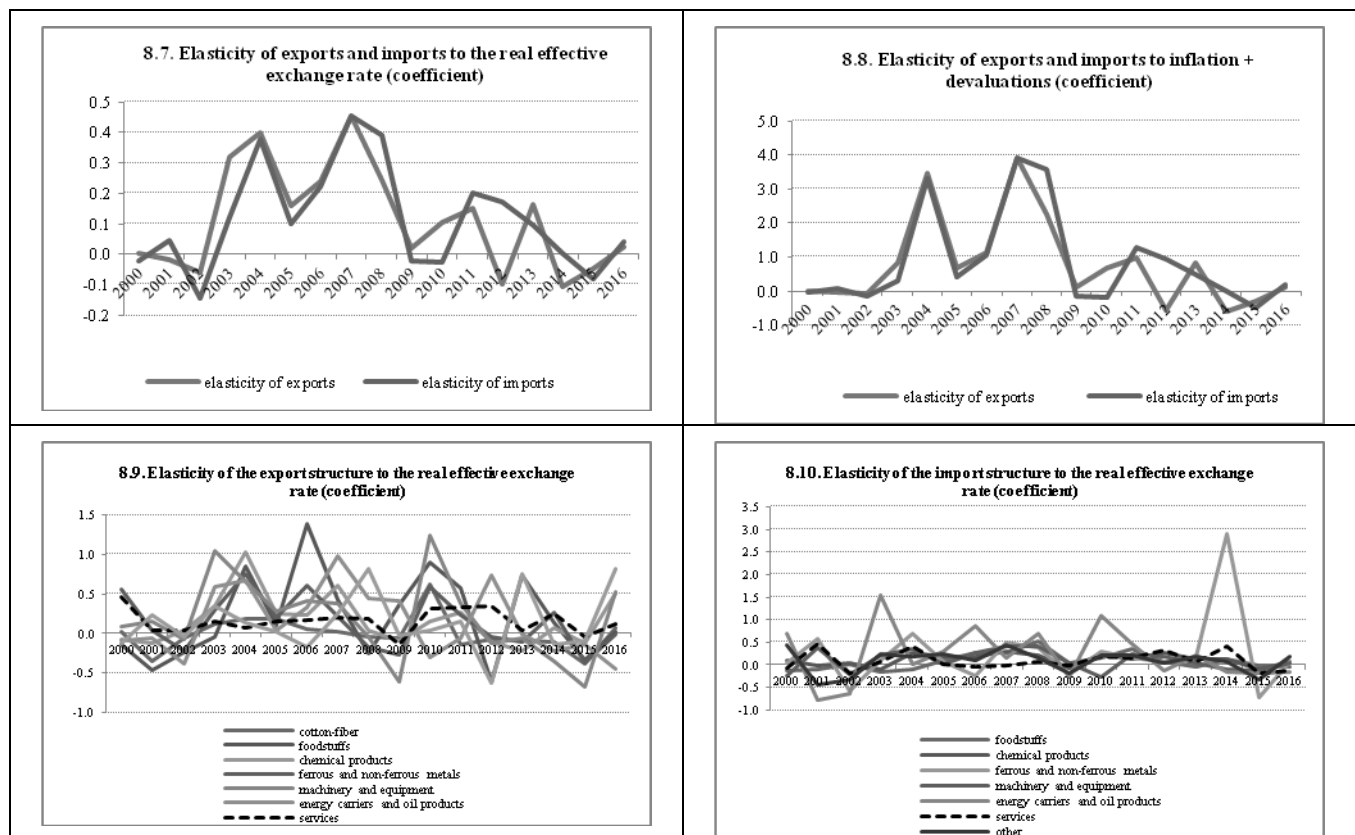
Thus, first of all, it is necessary to pay special attention to the issues of improving and developing the qualitative potential of the production sector, after which it is advisable to make informed decisions about the forecast parameters of the devaluation of the national currency.

Above, we analyzed the impact of devaluation on internal and external macroeconomic indicators, based on long-term lags, then we will analyze on the basis of short-term lags (see Figures 8.1-8.10).

Figure 8

The impact of devaluation on macroeconomic indicators (short-term lags)





Note: The figures in Figures 8.1 and 8.2 are determined by dividing the volumes of exports and imports (in sum and dollar value) by the level of devaluation and multiplication by 100. The figures for the elasticity of exports and imports in Figure 8.7 are determined by dividing the growth rates of exports and imports by the real effective exchange rate, while the elasticity of exports and imports (Figure 8.8) is determined by dividing the growth rates of exports and imports by inflation + devaluations. Indicators of the elasticity of the structure of exports and imports are determined by dividing the growth rates of the structure of exports and imports by the growth rates of the real effective exchange rate.

Source: author's development based on the research.

As can be seen from Fig. 8.1 and 8.2, the trend of the impact of devaluation on GDP, consumption and investment are different in terms of sum and dollar base. These differences are clearly seen in relation to consumption and investment. It should be specially noted that this trend was formed not only due to the devaluation factor, but also the creation of a favorable investment climate, that is attracting foreign investments and credits to the economy, which ultimately contributes to increased labor productivity and consumption for the period 2004-2016. The total volume of attracting foreign investments and loans increased almost 10-fold from 660.0 million dollar to 6.1 billion dollars.

In foreign economic relations, the country adheres to the principle of the balance of foreign trade, that is, exports and imports (see figures 8.3 and 8.4). As can be seen from the figures, the volume of exports and imports during 2000-2011 years tended increased. The highest level of trade surplus was observed in 2010

(3.8 billion dollar) and in 2011 (4.0 billion dollar). Since 2012, this trend has undergone, seriously declined. If we compare the trade balance indicators of 2015 and 2011, then they decreased by 4.5 times. The main reasons for this phenomenon were the above factors, which we already noted in the analysis of the long-term lag.

Figures 8.5 and 8.6 shows the dynamics of the devaluation of the national currency and its real effective exchange rate for the major trading partners. During the period 1997-2002 the devaluation of the national currency was carried out at a high level (an average of 66%), starting from 2003 to 2014 its level has gradually decreased and amounted to an average of 8%, and in the next two years (2015-2016), it sharply hinted and amounted to an average of 15%. Over the past three years, the real effective exchange rate of the national currency against the Russian ruble, the Kazakh tenge and the Ukrainian hryvnia has significantly strengthened. The main reason was the change exchange rate regime in Russia and Kazakhstan, that is, these countries moved to the floating rate of the currency regime and their currencies sharply devalued against the US dollar and the euro. Concerning the hryvnia, there was a higher level of inflation in the economy of Ukraine, and its real effective rate towards the Uzbek sum has significantly decreased. This trend, in turn, contributed to a decrease in the competitiveness of local goods and services of these countries in foreign markets.

The elasticity of export-import transactions to the real effective exchange rate (REER) and to the anchorages of inflation + devaluation (InfDev) has a kind of trend in the short term. Due to the country's adherence to the principle of balanced approach on foreign economic relations, the elasticity of export-import operations to REER also shows proportional approach. In other words if the elasticity of exports increases, the elasticity of imports also increases, if it decreases, imports also decrease (Figure 8.7). As can be seen from figure in 2000, 2002, 2012 and 2014 there were observed inelastic trend of the exports to the REER, and in 2000, 2002, 2009 and 2015 the inelasticity of imports. This means that local goods and services in those years were uncompetitive in terms of price conjuncture. The range of fluctuations in the elasticity of exports and imports to REER in the analyzed periods is 0.1- 0.4 coefficient.

The elasticity of exports and imports to bindings InfDev has a similar trend in REER, only their elasticity coefficients are significantly different (Figure 8.8). This difference is due to the lack of a comparative indicator for trading partners. These indicators characterize internal, rather than relative changes. In this case, the range of fluctuations in the elasticity of exports and imports to the InDev is 1.0-4.0 coefficients.

The elasticity of the structure of exports and imports to the real effective exchange rate also gives an unimpressive picture. As can be seen from Fig. 8.9, the effect of devaluation on the export structure is unstable, that is, volatility is too high. This trend can be observed especially in recent years. During 2012-2016, the elasticity of the structure of exports across all commodity categories, compared with previous periods, tends to decrease, which indicates a weakening of the competitiveness of domestic goods and services. And for some commodity groups, such as cotton fiber, machinery and equipment, energy and petroleum products, there is no elasticity at all, that is, these goods were inelastic during 2012-2015. To such circumstances, over time included the groups of food products (2012 and 2015), black and non-ferrous metals (2013 and 2015), and others (2012, 2014 and 2015). Especially cotton fiber, since 2011, systematically converts inelasticity to a real effective exchange rate.

Summing up this part, we can say that, in general, the devaluation policy plays an important role in stimulating exports. Particularly, its role is important in the condition of perfect competition. Perfect competition causes unhindered relations between countries in foreign economic activities or relations.

However, taking into account number of objective reasons, first of all countries interests of each country, it is impossible to create perfect competition or to comply with its requirements. Therefore, despite such circumstances, it is advisable to increase the country's foreign trade potential by expanding and modernizing the productive capacities of the real sector and designating as a priority direction of macroeconomic policy. On the basis of production potential need to develop a concept of devaluation policy in the sphere of the monetary policy and to predict its level, proceeding from the elasticity of exports and imports of the country according the real effective exchange rate.

CONCLUSION/RECOMMENDATIONS

As mentioned above, devaluation should not be "continuous". The implementation of the devaluation must be accompanied by specific goals, conditions and measures that are based on objective monetary factors. We consider it appropriate to monitor the impact of devaluation on export-import transactions, that is, to divide those groups of goods and services that are sensitive and insensitive to devaluation into two parts. For insensitive groups of goods and services, it is necessary to stimulate competitiveness by hedging prices.

In order to increase the elasticity and competitiveness of export goods and services, it is necessary to improve the "input-output" system at domestic enterprises and the entire production cycle, up to implementation based on an innovative approach. In addition, actively expand and improve the provision of banking, financial, infrastructure and institutional services at the level of international standards in order to reduce the cost of exported goods and services.

Proceeding from the foregoing, the following suggestions are proposed:

- Replace the practice of carrying out a devaluation instrument from "continuous-progressive" approach (method) to the "intermittent-regressive" method. This method covers all components of structural methodologies that provide the linkage for the implementation of the devaluation of the national currency, including: a) characteristics of actions (principles, conditions, principles, methods, features, norms); b) structure of actions (subject, object, subject, form, stages, and phases). In other words, the method of devaluation should be based on the need for a holistic view of phenomena and processes of action. The reality of these phenomena and processes of action depends on a factor analysis of macroeconomic parameters such as GDP, inflation, unemployment, real income of the population, consumption, savings, investment, exports, imports, their elasticity, key rate, tax rate, stock market indicators, capital flows, etc. Such an approach should ultimately contribute to the adoption of the most optimal solutions to ensure the strengthening of the purchasing power of the national currency and its real effective exchange rate;
- Among the factor tools, the elasticity of exports and imports has the advantage of determining the level of devaluation of the national currency, or, more precisely, the elasticity of exports to the real effective exchange rate. This indicator gives us the opportunity to compare the trend of the consumer price index and the exchange rate index between trading partners, and also provides a more vivid picture for the decision. Based on this approach, it is proposed to determine the level of devaluation of the national currency by the following method: A) determining the forecast of the elasticity factor of the export structure to the real effective exchange rate; B) determining the range of variation between the minimum and maximum elasticity indices; C) determination of variance by general aggregate, by sample, by the average linear deviation, by the standard deviation of the

general aggregate and by the standard deviation in the sample; E) to make a decision between the variance indicator in order to implement the level of devaluation.

This method can be applied on the basis of short-term and long-term periods, in other words there will be selected certain base period (this can be a 5-year lag, a 10-year period, a 3-year or a yearly sample), after that the average value of the export elasticity is determined, and calculated all variance indices. In this methodology, both approaches are taken into account and the level of devaluation is calculated. In the long-term lag (2000-2016), the elasticity of the export structure relative to the average linear deviation was 0.29 coefficient or 29%, and by the standard deviation it was 0.35 coefficient or 35%. Based on this, it is possible to predict the level of devaluation in the first approach at the level of 29% for the current year (the growth of the sum from 3231.5 sums per dollar at the end of 2016 to 4161.3 sums by the end of 2017), and on the second approach (method) from 3231.5 sums up to 4375.8 sum respectively. Hence there will be a third option which is carrying out exchange rate fluctuation effectiveness based on corridor approach between maximal and minimal value of the dispersion calculation. For example, exchange rate of Uzbek sum in 2017 will be an average 8109.5 sum per US dollar.

If it is necessary to determine the level of devaluation for a short period, then it's necessary the forecast data of the export structure on an annual basis. In our proposals the calculations used the following approach to forecasting the growth of exports in the period 2017-2021. The forecast indicator of the growth in the structure of exports for 2017 is determined on the basis of the latest 5-year trends (2012-2016), for 2018 - the last four years (2014-2017), for 2019 - the last three years (2016-2018), for 2020 - the last two years (2018-2019) and for 2021 - the previous year (2020). The results of this analysis can be reviewed in Appendix S2 of this article;

- In order to increase the elasticity of the export structure and its competitiveness in foreign markets, it is necessary to pay special attention to measures to reduce their prime cost and improve quality based on an innovative approach to the allocation of investment resources in the economic sectors. In particular, it is advisable to reduce the following costs, which are very significant for the cost of goods and services: transaction costs (banking, insurance), transportation costs and taxes (income tax, indirect taxes);
- In order to increase labor productivity in the real sector of the economy, it is necessary to improve the "input-output" and "career-motivation" systems on the basis of an innovative corporate approach to doing business;
- Taking into account the negative consequences of the continuous nature of the devaluation, and also in order to attract and further stimulate sum savings and household deposits, it is advisable to index their savings and deposits annually at the level of inflation or devaluation. In addition, a high level of devaluation of the national currency increases the demand for foreign currency on the part of the population, and this demand is in most cases covered by the illegal operation of the parallel market, which in turn puts pressure on the purchasing power of the national currency. In order to prevent illegal actions and increase the purchasing power of the national currency, it is advisable to liberalize the mechanism of exchange currency operations for the population.

S1 Appendix1

Dispersion calculations (in trln.sum.)

	GDP	Consumption	Investment	Export	Import
1997-2001					
Maximum value	4,93	3,59	1,32	1,36	1,35
Minimum value	0,98	0,71	0,28	0,32	0,33
The range of variation	3,95	2,88	1,04	1,04	1,02
Mean linear deviation	1,24	0,92	0,30	0,33	0,32
The dispersion of general aggregate	2,02	1,10	0,14	0,15	0,15
The dispersion of the sample	2,52	1,37	0,17	0,19	0,19
Mean square deviation of the general aggregate	1,42	1,05	0,37	0,39	0,38
Standard deviation of the sample	1,59	1,17	0,41	0,44	0,43
The coefficient of variation (the conditional boundary is 33%, if the coefficient of variation is less than 33%, then the aggregate is homogeneous, if more - inhomogeneous)	62%	63%	63%	67%	69%
The coefficient of oscillation (the ratio of the range of variation to the value) shows how far the extreme value relative to the entire scale of the datas.	155%	155%	159%	160%	162%
2002-2006					
Maximum value	21,12	15,12	4,04	7,79	5,83
Minimum value	7,45	5,71	1,53	2,31	2,10
The range of variation	13,67	9,41	2,51	5,48	3,73
Mean linear deviation	4,16	2,91	0,75	1,58	1,09
The dispersion of general aggregate	23,07	11,13	0,78	3,59	1,69
The dispersion of the sample	28,84	13,91	0,98	4,49	2,11
Mean square deviation of the general aggregate	4,80	3,34	0,88	1,89	1,30
Standard deviation of the sample	5,37	3,73	0,99	2,12	1,45
Variation coefficient	40%	39%	37%	43%	38%
Oscillation coefficient	103%	98%	94%	111%	97%
2007-2011					
Maximum value	77,75	53,40	17,52	25,78	18,94

Minimum value	28,19	19,43	5,90	11,36	8,50
The range of variation	49,56	33,97	11,61	14,42	10,44
Mean linear deviation	14,99	9,86	3,55	4,14	2,46
The dispersion of general aggregate	302,47	136,36	16,98	24,03	11,21
The dispersion of the sample	378,09	170,46	21,22	30,04	14,01
Mean square deviation of the general aggregate	17,39	11,68	4,12	4,90	3,35
Standard deviation of the sample	19,44	13,06	4,61	5,48	3,74
Variation coefficient	38%	37%	38%	30%	27%
Oscillation coefficient	97%	97%	95%	80%	76%
2012-2016					
Maximum value	198,57	148,33	49,30	40,71	39,71
Minimum value	96,59	73,04	22,07	25,69	24,21
The range of variation	101,98	75,29	27,23	15,02	15,51
Mean linear deviation	31,11	23,50	8,27	3,50	4,00
The dispersion of general aggregate	1315,87	737,98	92,24	23,03	25,76
The dispersion of the sample	1644,83	922,47	115,30	28,79	32,20
Mean square deviation of the general aggregate	36,27	27,17	9,60	4,80	5,08
Standard deviation of the sample	40,56	30,37	10,74	5,37	5,67
Variation coefficient	28%	28%	31%	16%	18%
Oscillation coefficient	70%	69%	79%	45%	49%

Note: As can be seen from these data, the coefficient of variation of macroeconomic indicators approached the conditional boundaries (33%) only in recent years (2012-2016). In previous periods, significant differences were characterized by decision-making measures to ensure the balance of macroeconomic policies in the real, monetary, fiscal and foreign economic sectors.

*Source:*author's calculation based on the research.

S2 Appendix

Exchange rate of Uzbek sum for per US dollar based on the elasticities of export goods and services to the real effective exchange rate (REER) and its forecast for 2017-2022 y.

Year/indicators	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021
Exchange rate based on the standard deviation of the general variance (the first method), in sums	168	451	2 122	7 251	9 956	10 995	12 516	14 720	16 994	19 604
The root-mean-square deviation of the general aggregate variance	26%	9%	46%	20%	37%	10%	14%	18%	15%	15%

(in% of the previous year)										
Exchange rate based on the average linear deviation (second method), in sums	163	375	1 308	3 651	4 806	5 224	5 870	6 715	7 612	8 623
<i>Average deviation (in% to the previous year)</i>	21%	7%	39%	17%	32%	9%	12%	14%	13%	13%
Maximum elasticity (coeff.)	0,6	0,3	1,2	0,0	0,8	0,2	0,2	0,4	0,3	0,3
Minimum elasticity (coeff.)	-0,1	0,0	-0,3	-0,7	-0,4	-0,1	-0,2	-0,2	-0,2	-0,2
The range of variation	0,7	0,3	1,5	0,6	1,3	0,3	0,4	0,6	0,5	0,5
<i>Mean linear deviation</i>	0,2	0,1	0,4	0,2	0,3	0,1	0,1	0,1	0,1	0,1
The dispersion of general aggregate	0,1	0,0	0,2	0,0	0,1	0,0	0,0	0,0	0,0	0,0
The dispersion of the sample	0,1	0,0	0,2	0,0	0,2	0,0	0,0	0,0	0,0	0,0
Mean square deviation of the general aggregate	0,3	0,1	0,5	0,2	0,4	0,1	0,1	0,2	0,2	0,2
Standard deviation of the sample	0,3	0,1	0,5	0,2	0,4	0,1	0,1	0,2	0,2	0,2
Nominal exchange rate at the end of the year, in sum	325	1 180	1 640	2 810	3 231					
<i>Devaluation level, %</i>	132,1	11,5	8,5	16	15					
The difference in the first method, in sums	156,6	729,0	482,0	4441,1	6724,6					
The difference in the second method, in sums	162,5	805,3	332,0	841,0	1574,7					

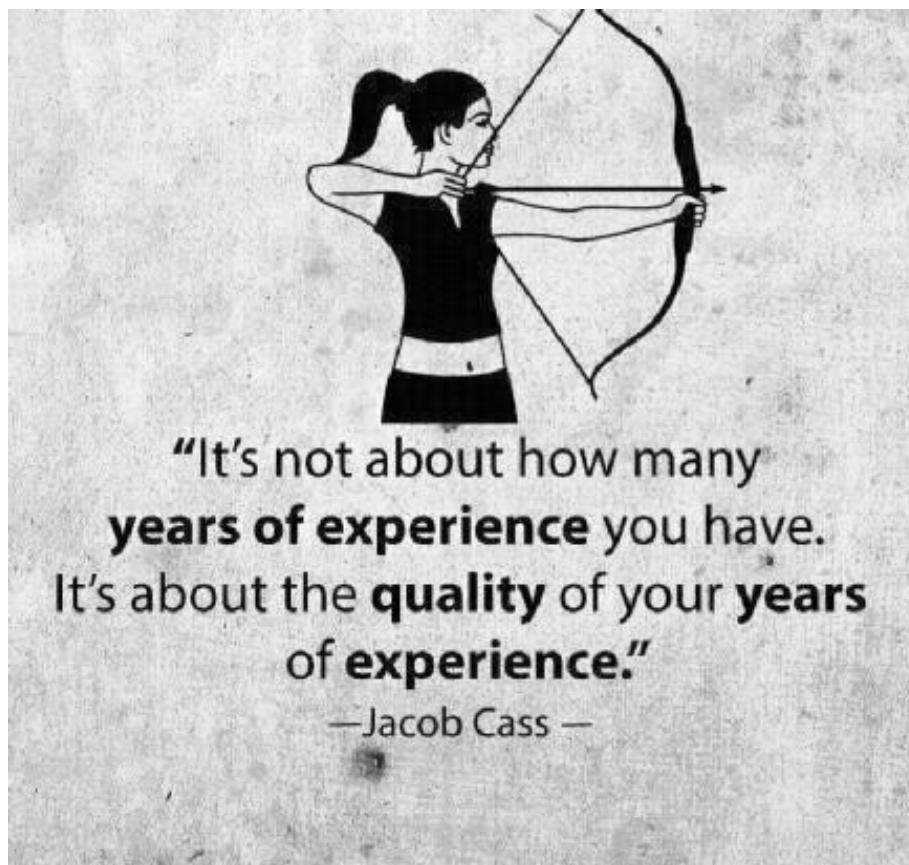
Note: The table shows the recalculation of the nominal exchange rate of the national currency against the US dollar based on the devaluation of the national currency for the period 2000-2016 based on the elasticities of export goods and services to the real effective exchange rate. The shadows are forecasted.

Source: author's calculations based on the research.

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STUDYING EMPLOYER FACTORS HAVING IMPACT JOB HOPPING PRACTICES IN IT INDUSTRY

Manjary Sharma¹

ABSTRACT

IT sector in India has an estimated 9.5 percent contribution in national GDP and 30% share in Indian industry export in FY2015. The industry continues to be a net employment generator - expected to add 250,000 jobs in FY2015, thus providing direct employment to about 2.9 million, and indirectly employing 8.9 million people.

Hence, IT industry has noticeable contribution in the national GDP by securing a sizable portion of revenue by export and domestic market. India's larger young and skilled population good in technical knowledge, speaking and writing English, and good management skills give a huge competitive edge over countries. Due to our unmatched low cost quality deliveries we are still success in remaining at the peak. In the recent years, Indian IT industry has remarked it dominance globally, due to its high potential, high quality and cost effective manpower resources, proactive policy framework, specialized Organizations and facilities; state-of-art infrastructure and quality of service.

The NCR region contributes the second highest GDP of nation (2015-16) and Delhi, Noida, and Gurgaon are amongst top ten in competitive index of Indian cities (2013-14). With a large consumer market, the region has been successful in attracting foreign direct investments

Scope of my research plan covers employees who have 2-8 years of experience and working as programmers or team leader, but still represent the largest proportion of human assets in an IT firm. Due to geographical limitation I have considered only major cities like Delhi, Gurgaon, Noida, Faridabad, and Ghaziabad where most IT firms are located.

The intent of this research is to highlight the job hopping among IT professional and the impact of employer factors over it. The multiple linear regression has been applied to examine the influence of employer factors on job hopping rate. This study will explore new dimensions for HR managers to handle the challenge of high attrition in IT industry.

My study will also address the job hopping among IT employees and also helps to identify key retention factors to control job hopping behaviour of employees in IT companies in North. Outcome of my study will help HR managers to make effective retention policy for their companies.

Keywords: *IT Industry, Job Hopping, Attrition, Retention, Job Satisfaction, Job Hopping.*

1. Introduction

IT sector in India has an estimated 9.5 percent contribution in national GDP and 30% share in Indian industry export in FY2015. The industry continues to be a net employment generator - expected to add

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250,000 jobs in FY2015, thus providing direct employment to about 2.9 million, and indirectly employing 8.9 million people.

The Indian IT professionals are on huge demand by IT organizations all over the world. IT professionals are well paid in domestic as well as international market. They are offered best pay scales and world-class perks. Therefore it is a dream for many young technical graduates and professionals to work for IT industry in India or abroad. They also get an opportunity to live, study and work abroad in addition to attractive perks and other welfares. The growth of IT sector in India brought many changes in life style, sociality, family structure, self-identity and attitude of the urban middle class person. Hunt for best talented manpower has made IT firms to competing with each other in terms of offering best employee friendly offers, policies and practices to fill ups the shortage of skilled IT force.

As per a report published by NASSCOM, Indian IT sector is growing at a rate of 12-14 per cent in year 2015-16 and it is expected to triple its current annual revenue to reach US\$ 350 billion by FY 2025. IT companies in India are on top of preferred destination for foreign investors and venture capitalist due to the proven track of low cost deliveries and quality standards. Some many investors are standing in queue to fuel money in this sector. Therefore, it is estimate to lure a funding of worth US\$ 5 billion by Indian IT start-ups alone by the end of 2016, a 125 per cent increase.

Hence, IT industry has noticeable contribution in the national GDP by securing a sizable portion of revenue by export and domestic market. India's larger young and skilled population good in technical knowledge, speaking and writing English, and good management skills give a huge competitive edge over countries. Due to our unmatched low cost quality deliveries we are still success in remaining at the peak. In the recent years, Indian IT industry has remarked it dominance globally, due to its high potential, high quality and cost effective manpower resources, proactive policy framework, specialized Organizations and facilities; state-of-art infrastructure and quality of service.

The software industry clocked one of its highest attrition rates in FY11 as cited in a study by Rajesh Krupp (2012). As per the survey report of economic times top IT companies like Infosys, Wipro and TCS have lost more than one lac employees last four quarter in India.

High employee attrition rate have direct impact on bottom line performance on IT firms. Hence, it is important for organizations to develop and maintain the strategies to retain the core talented people for continuous development and to do profitable business.

Organizations make enormous efforts to attract handfuls of employees and sustain them in the organization. In today's business scenario only high salary and the designation is not significant for employees to retain them in the organization, but other factors also play an important role in their retention.

2. Brief Literature Survey

Job hopping is defined as: A personnel own judgment arising out of his/her dissatisfaction in the existing work. Also described as a practice of shifting jobs frequently to achieve short term financial gains or career jump. It hurts the organization when it is (a) not triggered by unsatisfactory performance of the employee; and (b) organization doesn't get time to find right talent to fill the vacant position (c) employee hopping is not willing to complete the knowledge transfer to the replacement employee."

Existing Literature (Abassi & Hollman, 2000, Hewitts Associates 2006) highlighted various possible reasons for employees' unhappiness and job hopping in the service organizations: low recognition of the work, weak compensation system, wrong hiring practices, poor management style, pathetic workplace environment and some the other factors includes: Low work interest; Job insecurity; inadequate promotion and no scope of development. Hence, job hopping is equally destructive and costly for the welfare of any organizations.

The Wall Street Journal also confirmed the fact that job hoppers in IT sector are migrating faster than the employees' movement in other sectors [67]. The job hopping problem has got global concern due to the adverse affects global IT industry and consequently to growth of Indian export. The United States Bureau of Labor Statistics is also worried over the problems of work force aged 20-34 staying less than 2 years in a company than the average U.S. worker for 4.6 years [68]. Job hopping has raised serious problem in the modern day organization, because it creates huge disturbance in day to day working of the organization. The job hoppers see it as an opportunity to excel in the career while the organization is finding a burden in replacing the employee pool in short time. In demand of high salaries and perks, work pattern, designation, leading roles and decision making positions employees are hopping their jobs from one company to another as cited by Bloom and Michel (2002) [69]. Therefore the HR managers in today's IT businesses have got prime importance to perform the roles of hiring, preserving and maintaining people.

Saxena (2012) found HR professionals using different terms interchangeably like job hopping, turnover, attrition, job shift and quitting [70]. Rousseau (2003) called it worker mobility, Hall (1976) said it protean career, Finegold (2003) defined as willingness to change companies, and Burgess (2000) declared it work flows [71]. According to Mobley (1978) the job hopping arises due to employee's dissatisfaction in current job [72]. Citation from Boswell (2005) and Griffeth (2000), job hoppers search for alternatives options which are better than the existing job in terms of perceived values and if it 's higher then they take final decision to leave [73].

Taufic I. Shaikh (2008) studied relationship between job hopping and attrition rate and explored improper working hours, lack of growth opportunities, pursuit of salary increments and monotony of the job as main cause behind the rising issues of job hopping in IT industry [81]. A research firm Beyond in 2011 did an empirical study over 15,000 members to overseeing the job hopping trends among IT professionals. The survey results showed only 36.8% of the respondents willing to continue in the same company, and 42.6% had changed more than 2 companies. Only 11.6 % of them have been working from more than 5 years. At the same time 9 % respondents changed more than five companies [82].

According to Peter Cappelli research work, several factors play a vital role in retaining manpower. Those considered factors are: company image, work environment, work-life balance, job opportunities and employees leave policy. As cited in Cole (2000) study, employees stayed more loyal to the organizations where they find enhanced values, sense of self-esteem and work to their full potential.

Employee retention is a systematic approach by employers to create an environment which motivates their existing employees to stay behind. Such atmosphere can only be created by having policies and practices made to address diversified needs of employees (J. Leslie McKeown, 2002).

Walker (2001) found retention of employee essential for companies, especially for those who are into specialized businesses in niche market since attracting, training, motivating and retaining the employees are critical. Therefore, employee's retention has become strategic issue for the success for any organization to

remain competitive in business. Walker suggested seven key factors which can help an organization in retaining moving talents: (i) compensation and appreciation of work, (ii) provide challenge at work, (iii) opportunities to get promoted (iv) and learning atmosphere, (v) interrelations with colleagues, (vi) work life balance, (viii) communications [137].

3. Research Mythology:

Scope of my research plan covers employees who have 2-8 years of experience and working as programmers or team leader, but still represent the largest proportion of human assets in an IT firm. Due to geographical limitation I have considered only major cities like Delhi, Gurgaon, Noida, Faridabad, and Ghaziabad where most IT firms are located.

Both primary and secondary data will be collected. Primary data will be collected through questionnaires. For secondary data we will be reviewing existing literature, i.e., Journals, Books, Magazines, Internet and Newspapers.

A Sample size of 500 employees selected through convenient sampling who are working in leading IT companies (Listed in NASSCOM) from Delhi, Noida, Gurgaon, Chandigarh, Mohali and Panchkula is collected through a structures questionnaire. Reliability check will be applied to all variables under study using SPSS through Cronbach's alpha Test.

In this study a descriptive statistics is used to describe the phenomenon and for establishing relationship among the variable the causal research has followed. The multiple linear regression has been applied to examine the influence of employer factors on job hopping practices. SPSS was used to analyze the data for findings.

4. Findings

4.1 Relationship between employer factors and job hopping rate

The association between employer factors and job hopping rates of the IT employees was analysed and the results are shown in the table 4.1.

Table 4.1 Relationship between Employer Factors and Job Hopping Rate

EMPLOYER FACTORS	CORRELATION CO-EFFICIENT
Job Assignment/Job Responsibilities	-.329**
Group Dynamics	.224
Role of Supervisor	.207
Annual Performance Appraisal System	.235
Training and Development	-.444**
Working Environment	-.373**
Interpersonal Relationship	-.373**
Employee's Self Esteem	-.314**

Recognition	.216
Career Growth	.241
Work Life Balance	-.295**
Job Satisfaction	.246

Source: Primary & Computed Data-

Note: ** indicates significant at one per cent level

The output indicates that correlation co-efficient between job responsibilities and job hopping rate is -.329, which is poorly and negatively related with each other at one per cent level of significance. The Training and development is also negatively and poorly correlated with job hopping rate with the value of -.444, which is significant at one per cent level. The work environment is also negatively and poorly correlated with job hopping rate with the value of -.373, which is significant at one per cent level.

The interpersonal relationship is also negatively and poorly correlated with job hopping rate with the value of -.373, which is significant at one per cent level. The employee self-esteem is also negatively and poorly correlated with job hopping rate with the value of -.314, which is significant at one per cent level. The work life balance is also negatively and poorly correlated with job hopping rate with the value of -.295, which is significant at one per cent level. Hence, the null hypothesis "there is no significant association between employer factors and job hopping rate of the employees of IT companies is rejected.

4.2 Influence of employer factors on job hopping rate

The multiple linear regression has been applied to examine the influence of employer factors on job hopping level and the results are shown in table 4.2. The job hopping level is considered as dependent variable and the employer factors are considered as independent variable. The result shows that the coefficient of multiple determinants (R²) is .345 and adjusted R² is .343 indicating that regression model is good fit. 69.00 per cent of the variation in dependent variable (Attrition Level) is explained by the independent variables (Employer Factors). The F value of 7.47 is significant at one per cent level indicating that the regression model is good fit.

Table 4.2 Influence of Employer Factors on Job Hopping Level –Multiple Regressions

EMPLOYER FACTORS	REGRESSION CO-EFFICIENT	t-VALUE	SIG
Job Assignment/Job Responsibilities (X1)	-.338**	-2.737	.006
Group Dynamics (X2)	.317	1.079	.281
Role of Supervisor(X3)	.319	1.877	.061
Annual Performance Appraisal System(X4)	.314	1.133	.258
Training and Development(X5)	-.359**	5.510	.000
Working Environment(X6)	-.314	1.570	.117
Interpersonal Relationship(X7)	-.345**	2.593	.010

Employee's Self Esteem(X8)	-.364*	2.520	.012
Recognition(X9)	.301	.031	.975
Career Growth(X10)	.314	-.903	.367
Work Life Balance(X11)	-.371*	-2.479	.013
Job Satisfaction(X12)	.302	.345	.730
R2	.345		
Adjusted R2	.343		
F	7.47		.000
N	500		

Source: Primary & Computed Data

Note: ** Significance at one per cent level, * Significance at five per cent level

Unmarked figures are not significant

Job assignment X1 is inversely associated to job hopping rate which means every improvement in job assignment will result in 0.338 unit reductions in job hopping rate. Hence, HR professionals need to review and revise job roles and responsibilities assigned to their employees.

The relationship between training and development (X5) with job hopping rate is inverse which indicates every one unit of change in X5 results in .359 units down in job hopping rate. Since training and development have various parts like frequency, effectiveness, relevance etc. So, HR needs to touch the right factor responsible for change.

Interpersonal Relationship X7 is inversely associated to job hopping rate which means every improvement in job assignment will result in -0.345 unit reductions in job hopping rate. Hence, HR professionals need to focus on factors responsible for improving interpersonal relationships.

The relationship between employee's self-esteem (X8) with job hopping rate is inverse which indicates every one unit of change in X8 results in -.364 units down in job hopping rate. Hence maximizing employee's self-esteem factors can help an organization to cut job hopping rates.

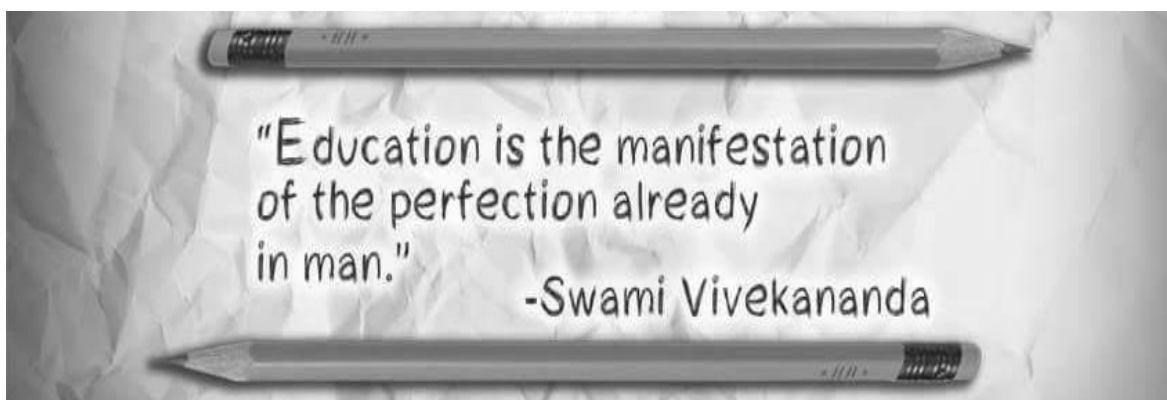
Work Life Balance X11 is inversely associated to job hopping rate which means every improvement in job assignment will result in -0.371 unit decreases in job hopping rate. So it recommended to maintain better work life balance among employees which are prone to immediate change.

Conclusion:

The outcomes indicates that job responsibilities, training and development, interpersonal relationships are negatively effecting the job hopping rate at one per cent level of significance, while employees self-esteem and work life balance is also negatively associated to job hopping rate at five percent level of significance. Therefore, the null hypothesis "there is no significant influence of employer factors on job hopping rate of employees of IT company is rejected.

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THEORETICAL ISSUES OF THE EFFICIENCY OF BUSINESS PROCESSES IN SERVICE COMPANIES

FARHOD SAFAROV¹

ABSTRACT

This article has investigated major points of reorganization on the basic and auxiliary business processes. In addition, based on reengineering methods, there is a need to formalize the process of reorganization of enterprises, which would substantiate the most appropriate project decisions on the strategy of organizational renewals. Moreover, the identification of highly effective business processes, such as business-process reengineering, modeling, analysis and redesign of existing business processes, as well as systematic analysis may be achieved through the creation of new business processes with effective evaluation systems. Finally, outcomes and shortcomings of the sector have been categorized for the further research.

Keywords :Reorganization, reengineering, business process, evaluation system, modelling.

Introduction

Today, many national assessment bodies in Uzbekistan and in several bordered countries are still working in the form of working capital and financial resources to upgrade their fixed assets and technology, facing the problem of low-skilled staff (Abdukurimov B.A, 2013).

These problems can be solved through the reorganization of the business. Incompleteness of enterprises' restructuring is largely due to the lack of a systematic approach to the analysis of financial and economic activity. Specific aspects of reorganization include financial provision or staff training, technological equipment or organizational structure(Ajwad et al., 2014).

Reorganization may be interconnected, basic and auxiliary business processes. Therefore, based on engineering methods, there is a need to formalize the process of reorganization of enterprises, which would substantiate the most appropriate project decisions on the strategy of organizational renewals, based on the identification of highly effective business processes, such as business-process reinforcement(Harris, 2007).

Modeling, analysis and redesign of existing business processes, as well as systematic analysis, can be achieved through the creation of new business processes that can be evaluated efficiently. The systematic approach, by using a number of indicators, shows the valuation of large amounts of information in nature(Ghatak, 2003; Strzyz, 2016).

The use of a structured approach involves reflecting all aspects of the criterion, each of which can be explored using appropriate analytical methods, the universally accepted results of the evaluation, the results, and the elaboration of recommendations to improve the criterion.

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Theoretical part

The assessment of the efficiency of business-process reengineering is carried out based on a set of documents, substantiating the economical expediency, volume and timing of implementation of capital investments, including the necessary design estimates in accordance with the legislation of the Republic of Uzbekistan and standards (norms and rules). The result of the evaluation is the description of the investment activities (business plan).

It is necessary to implement a set of organizational and technical measures to improve the technological and investment policies and models of business management to significantly improve the financial and economic performance of enterprises (Ghatak, 2003).

In this regard, the importance of the development of the scientific and methodological basis of the reinforcement of business processes of the enterprise should be based on the application of mathematical and instrumental methods of modeling of financial and economic activity. For this, it is necessary to consider the evaluation of business process modeling (Akimov & Dollery, 2006; Calhoun, 2013).

The specified aspects relate to system performance indicators, which include the time it takes to carry out the process, the cost dimensions, and the process reliability. Indirect performance indicators include production volumes, labor efficiency, rate of turnover, profitability, and so on. Generally, static methods of process value analysis (ABC - activity-based costing) and imitation modeling methods are used to calculate the performance of the business model. At present, the CASE tools or the central element of Component Technology Modeling supports the process-modeling toolkit, which is a repository (data dictionary) (Hudaykulov, Hongyi, & others, 2015; Hudaykulov et al., 2015).

It displays a specific database designed to reflect the system's state of mind at every instant. All model objects are coordinated based on the general information of the repository used in drafting the project (Gürgen, 1999).

It is necessary to use a systematic approach based on the systematic analysis of the methodological basis of the rehabilitation of efficient business processes and the implementation of a dialectical approach to the study of natural and social processes.

Methodology

A structured approach requires the full, comprehensive understanding and accountability of relationships, influences, relationships, and changes that are possible. The concept of its essence is the concept of business reorganization; identifying and structuring the main goals and objectives of the business process; using different methods, and developing a methodology that can be implemented. A structured approach is based on the idea of a business process, a systematic process, an output, and a "black box" with a reverse link.

While accessing resources, resources are intended to be achieved, while processes can be used to efficiently use certain quantitative and qualitative resources in achieving the set objectives by demonstrating the rationality of management functions, decisions, methods, and methods. The suitability of a systematic approach to business process management depends on the following reasons:

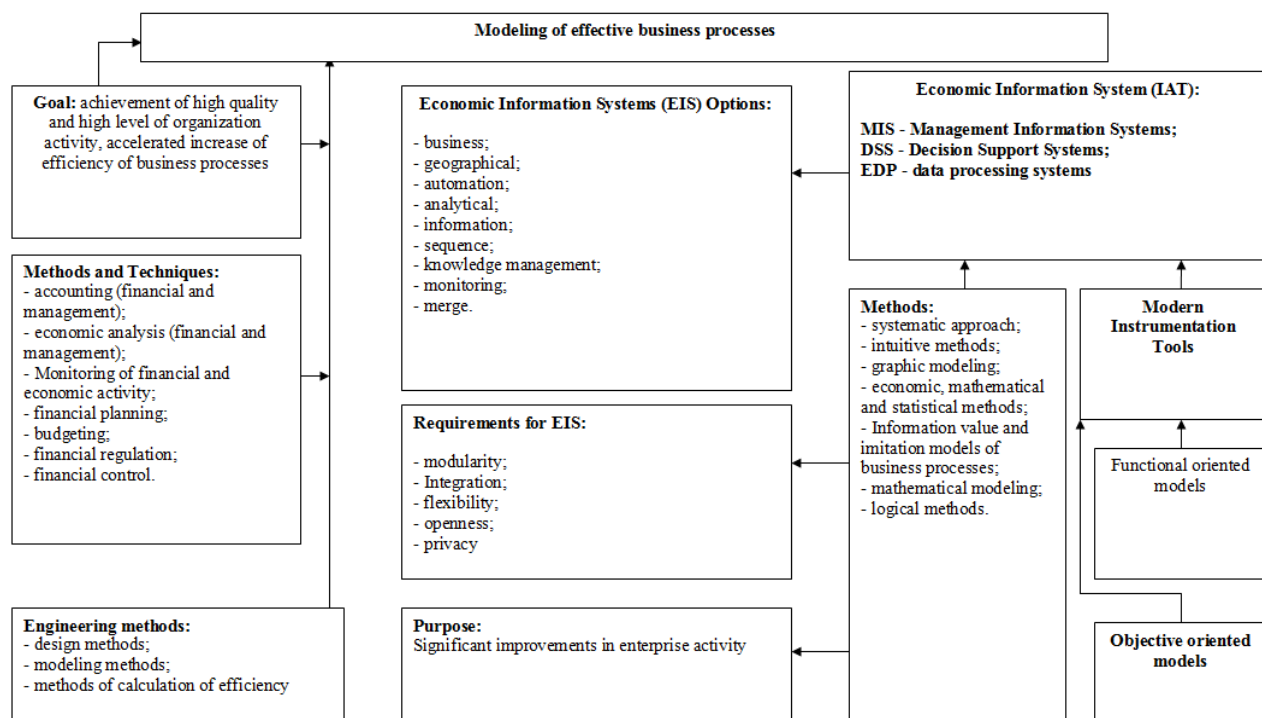
- organizing business processes is a complex, multidimensional problem;

- systematic analysis combines the achievements of various fields of science and enables them to effectively apply the specific tasks and tasks of business processes management;
- The main focus of a systematic approach is to develop a set of rational ways to achieve goals that will help to achieve the best results in setting goals and implementing business processes;
- a systematic approach replaces information deficits in planning and decision-making to manage business processes;
- A systematic approach will help reduce the burden on the risks associated with risk, inflation and funding;
- Integrated, systematic understanding of production processes and business processes affects the growth of management efficiency.

Efficiency of business processes in service

The ultimate objective of a systematic approach is to increase the effectiveness of the assessment by obtaining all aspects of the criterion and by gaining a universal benchmark for comparable assessments.

It is necessary to develop a methodological basis that will help to implement the main objectives of reinforcement to obtain a suitable criterion for the efficiency of the business-process reengineering project. These include the achievement of a qualitative, high-level performance of the organization, and a rapid increase in the efficiency of business processes. In accordance with a structured approach, we have developed a methodological framework for the reengineering of business processes (Figure 1)



Picture 1. Methodological base of business-process reengineering.

The provided methodological base includes a set of methods and methods of reinforcement, as well as a number of modern analytical tools. When selecting reengineering methods it is necessary to consider the ultimate goal of business reorganization, as well as the basic requirements for the creation of economic information systems in the reinforcement base. The methodological basis of effective reengineering of business processes is the basis for developing and increasing the efficiency of the evaluation of the business processes of evaluation companies (Berger, Hanweck, & Humphrey, 1987; Hodjaeva, 2014).

In order to evaluate the effectiveness of the business after the reengineering, it is necessary to consider all phases of its project development to stop the service. Reengineering practice requires substantial justification, measurement, control, evaluation, prediction, reverse order, so implementation can not be economical without analysis.

When converting business-process rehabilitation, it should be borne in mind that without any cost-effectiveness, any reinforcement not only improves but also destructs the situation, so there are analytical calculations, estimates, forecasts, and recommendations based on reorganization decisions, trends and dimensions. It is important to note that simultaneous implementation of the business process is not an obligation, it is a model of action, which may or may not be realized. Therefore, in our opinion, the notion of efficiency of business processes, in particular, is not the same as the concept of business process efficiency. For example, the business process executes errors and reduces the efficiency of its execution.

Thus, the efficiency of the business process is a great value for the activity that can be achieved in any process of modeling the organization. The business process operator is not a business process element, just as a personal computer user does not have the software component. It is also important that the resources that provide the process not only form part of it, but also have specific limits for the business process. That is why we now understand the process of reinforcing business processes, as well as the formulated description of the effectiveness of the business processes of the organization. The priority of business-process rehabilitation is that it has the ability to significantly reduce barriers, provide a base for business expansion, encourage the enterprise to move to a qualitatively new level of technology, and prepare it for the implementation of an automated management system (Rahima & Sobirov, n.d.).

Although the systematic approach differs by its universality, its successful application depends largely on the expert's professional readiness, which has a clear understanding of the particular properties of the object being explored, and should define indicators for evaluation. The assessment of the evaluated indicators is based on a clear understanding of the advantages, disadvantages and specificities of various assessment methods. In the first case, the actions that constitute the process of determining the indicators can be explained in the following sequence:

- Establishment of the object bound for the evaluation, that is to say, the object is an integral part of the asset. Expanding the boundaries of an object increases the complexity and complexity of multi-component objects, thereby making the analysis difficult. Thus, in practice, complicated objects need to be subdivided into smaller systems that allow for separate learning, without overlapping the real situation;
- Determination of performance indicators, which is the basis for evaluating the object's characteristics for comparison with the most "good" indicator of the object's performance. Usually economic indicators (expenditures, profits, etc.) are selected;

- Selection of inviolable variables within the system, which can be characterized by significant economic decisions on indicators that are adequately described and evaluated in accordance with the conditions of the object or object;
- Selection of an analysis method, reflecting the effect of all indicators on the value of invariant and effective values.

Proposal of economic determinants

As a result of calculations, it is desirable to propose a system of indicators that can be determined before and after the restoration of business processes. Such a system may include usefulness, efficiency, process value, productivity, flexibility, and duration. The profitability indicator reflects the productivity of the business process and reflects its usefulness for the enterprise, by comparing revenue and expenses. Its value is calculated using the following formula:

$$P = \frac{P_a}{Z_b},$$

here, P_a – earnings as a result of a process, Z_b – access costs.

Performance indicator is designed to describe the quality of the process, reflects the efficient use of resources and the optimization of management processes. Its value is determined by the following formula:

$$E = \frac{P_d}{K},$$

here, P_d – business process revenue growth, K – capital investment or investment to improve the process.

The value of the business process is determined by the cost dimensions, allowing for evaluating the costs of using the business process and the way in which resources are used. Its size can be calculated by the following formula:

$$P_c = \sum_{i=1}^n Z_i = Z_1 + Z_2 + Z_3 + \dots + Z_n,$$

here P_c total expenses (Z_1, \dots, Z_n) the unit must be displayed at the expense of money, which should only be performed once in the process.

The productivity indicator determines the magnitude of the output (service) of the business process product that spends a certain amount of resources as a result of a single business process in a timely manner (Bakhtishodovich et al., 2015).

The adaptability index describes the quality, flexibility, and response of the business process to environmental change. It is an indicator of the size of its business, and it takes time for the business process to adapt to the business environment and internal organizational changes.

Instead, it defines the time required to complete the time-out process at "input" - "output" in the runtime. Its magnitude can be calculated from the interval between the start and end of the process.

In view of the ever-changing and volatile business environment, enterprise management must be based primarily on accountability and efficiency, such as reducing the need for business processes to adapt to internal and external developments, some of the strategic and tactical aspects of business processes allowing you to change faster.

It is also important to take into account the impact of various factors that determine the future development of business-process productivity. The main factors influencing the business process productivity are as follows (Figure 2).

Figure 2. Factors affecting business process productivity

Subjective (the factors that can be adjusted to the enterprise, ie managed factors)	Objective (factors that can not be influenced by market entities, but they should be taken into account when assessing business process productivity)
- price level of services	- Changes in the certification and licensing rules, normative documents
- the number of appraisers and trainees	- competitiveness rate
- the size of the resources needed to complete the business process	- inflation rate
- internal document circulation, information system	- solvency of customer demand

It is important to analyze the impact of the factors listed in the table as an enterprise business process, because the business environment is variable and multidimensional, and the organizational conditions of the enterprise are constantly changing according to the circumstances and activities of the enterprise. Thus, the assessment of the impact of objective and subjective factors on the productivity of business processes of the enterprise allows forming the necessary directions for the enterprise's operation with the purpose of reinforcing business processes.

Conclusion

To conclude with, this paper has studied key plugs of reorganization on the basic and auxiliary business procedures. On this way, formulas and determinants such as engineering methods, reorganization of enterprises, which would substantiate the most appropriate project decisions on the strategy of organizational renewals, were suggested as a conclusion of study. Moreover, the identification of highly effective business processes, such as business-process reinforcement, modeling, analysis and redesign of existing business processes, as well as systematic analysis were stated and highlighted through the creation of new business processes with effective evaluation systems. To be brief, positive and negative aspects of the sector have been classified for the further research investigations.

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"Everyone has his or her own unique power. It is our responsibility to find that power and use it to the fullest capacity we can in the service of other people."

—TOAN LAM
ENTREPRENEUR AND PODCAST HOST

THE METHODS AND TOOLS OF THE STATE LABOR MARKET REGULATION

Arabov Nurali Uralovich¹

ABSTRACT

Focusing on innovative development of developing countries the paper analysis methods of the labour market regulation. We developed systematic approach of labour market regulation analysis. The obtained theoretical and practical conclusions can be used as a methodological and methodical base of labor market regulation.

KEYWORDS : labor market, regulation, method, employment, unemployment, mechanism, temporary employment.

INTRODUCTION

The period of liberalization of the economy, as a new stage of market reforms, requires further development of the methods of state influence on the economy, particularly on the processes of labor market development. It is necessary to complete the formation of the new structure of employment, creation of new jobs and modern approaches to solving one of the most actual social problems of the reforms - unemployment.

Labor market as the other types of goods and services market as well is the compound part of the market economy. Moreover, labor market occupies the central place in this economy, as labor is a decisive factor in the production and life of the society. Only with the labor market initiation the market economy properly starts forming and successfully functioning. That is, it is becoming precisely marketing only with the formation and development of the labor market which in its turn depends on the existence and degree of other markets maturity, mostly determining the movement of labor force and its transfer among the spheres of employment. The modern economic science defines labor market as a special subsystem of the market economy where there interact employers (the owners of production assets) on the one hand and wage earners on the other hand [1]. There exists a definition according to which labor economy is the organic constituent of the market economy carrying out the functions of the mechanism of distribution and redistribution of the social labor among the spheres and branches of economy, types and forms of the activity, on the criterion of the effectiveness of labor and production in accordance with the structure of social needs and forms of property [2]. Demand and supply, conjuncture, cost and price of labor force, competition, reserves of labor force are the basic elements of this mechanism.

METHODOLOGY

Labor market is the sphere of the formation of demand and supply for labor force. Via such kind of market there realizes the sale of labor force for a certain period of time. However, labor market is possible only under the condition that an employee (worker) is the owner of his ability to labor. The main subjects of the labor market are:

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- Owners of production assets and the agencies representing their interests (associations entrepreneurs);
- wage earners and the organizations reflecting their interests (trade unions, councils of employers and others);
- The state (in the form of different bodies and structures) as the intermediary between employers and wage earners.

In the result of interrelations of the above mentioned subjects there forms the volume, structure and correlation of demand and supply for labor forces. Besides, the state as the regulator concerning employment relations problems, intermediary between employers and wage earners, the chief organizer of functioning market relations in this sphere, to which the most important role is given. As the world experience testifies, via the labor market there pass three powerful interrelated streams: developments of economy, the development of man himself professionally as well as morally, and the development of social relations – the ownership of production links, state structures. These streams form not only the basis of progress in the society but also its main content. In the society having entered the XXI century, labor market must be not of a spontaneous but of a regulated character. It must be the effective tool of the optimization of the streams of distribution and redistribution of manpower in economy, the lever of regulating industrial incomes, subject to a profession and qualification. There always should be competition as the basic motive power of improving workers' (employees') abilities for labor. The market can be acknowledged mature if it, alongside with the creation of the competitive environment in the sphere of employment, liquidates or promotes liquidating the economically non-effective productions and working places, stimulates the shifts in economy, dynamically renews the technical base of the production and accelerates the improvement of labor conditions and its payment. It should be emphasized that both forming and functioning the labor market cannot be the end in itself. Labor market confirms or turns down employment or its contradiction - unemployment, underemployment, and temporal joblessness and so on. Therefore probably, the majority of problems of the labor market development are considered, first of all, through the lenses of employment or unemployment which are the main attributes of the above-mentioned market. The higher the level of the able-bodied population's effective employment is, the less economic and social strain there is in the society, the better the parameters of the nation's welfare and the country's security seem to be better and on the contrary. As the experience of many foreign countries including rather developed ones, shows that the growth of unemployment almost always causes not only economic but also social and political tension.

Fundamental changes in the national society determines the formation of new mechanisms for coordinating the diverse economic interests and, primarily, the labor market agents, which are of particular social and economic importance.

THEORETICAL BACKGROUND

Development of the labor market requires careful monitoring and control of the processes. The regulation processes of labor market are relatively new area of economic activity. Therefore, it is important to determine the possibilities of applying methodological approaches, theoretical studies and experience of developed countries in the sphere of market regulation in developing countries.

Despite that, the state and other entities use various methods and measures of regulation of market relations in the sphere of employment, general idea of this mechanism, its essence, content, forms and methods are not available.

Absence of theoretical, methodological and methodical management tools, market actors are deprived of efficient and effective levers to ensure the effective functioning of the labor market, the elimination of its "failures". In these conditions, the study of the problems associated with the development of relations of a specific regulatory effect on the labor market processes with improvement measures and management tools are very important.

This direction could lead to social oriented market economy and transition from spontaneous activities to purposeful regulation.

REGULATORY EFFECT ON THE LABOR MARKET PROCESSES

The essence of the regulation mechanisms of the labor market is revealed in the process of regulation of the market.

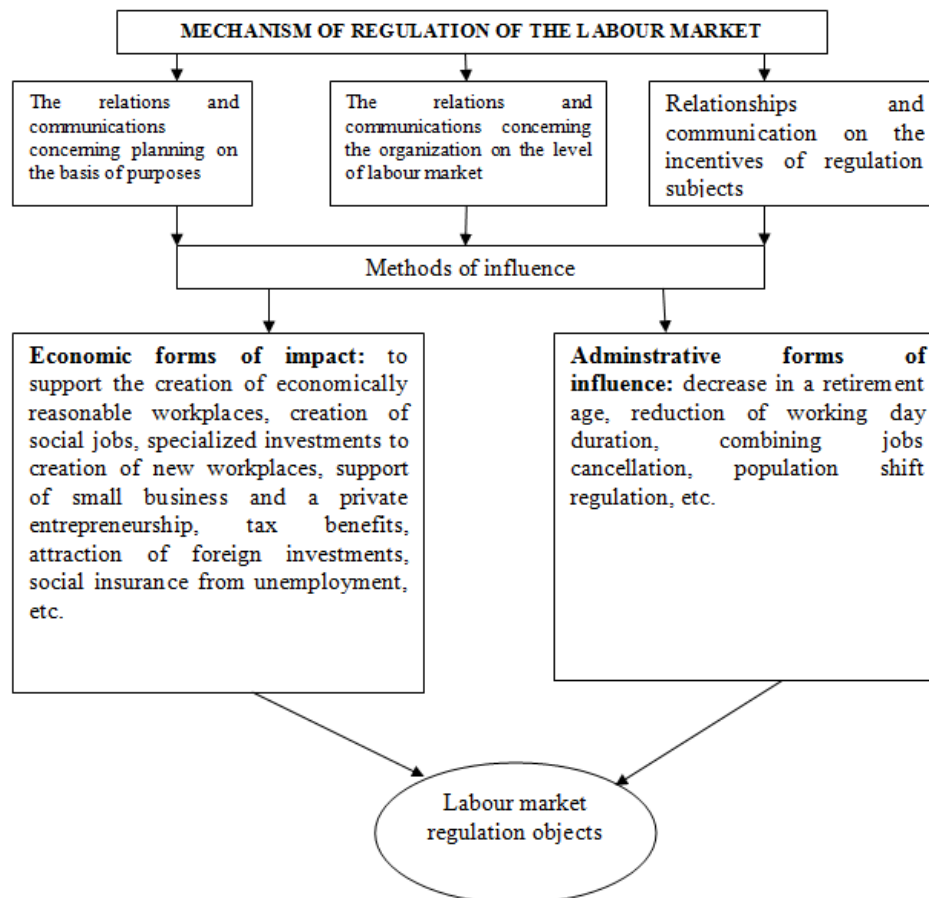


Fig. 1. Economic and administrative forms of influence on the labor market

Regulation mechanisms provide planning, organization and incentives-regulation activities of its subjects in the regulatory process. (Fig. 1). Labour market regulation is one of the functions of control system [3]. Through the control system goals are implemented. In the most common forms of labor market governance is a transition of the labor market system to a new form by influencing to its functional elements or subsystems. Labour market regulation is involved in this process as the main control function.

The disclosure of content management requires highlighting of its main qualities, which fully reflects its nature and the nature of labor market management. In our view, this quality is an integrative management of the qualities - its effectiveness. This integrative quality of efficiency gives basis character. Since the regulation is a one of the management function, it is also inherent in this quality. Labour market regulation can be effective or ineffective. Regulation, carrying out only some tasks of management, mitigating labor market "failures". Therefore regulation is more preferable, than management concerning the labor market.

Labor market governance, in our opinion, implies a permanent, strong impact on the market using mainly administrative forms that may lead to a breach of the market mechanism and imbalance throughout the labor market system. Regulation, performing only a few management tasks does not involve such consequences, while softening the "failures" of the labor market. Therefore, regulation is preferable to control with respect to the labor market.

Systematic approach of labour market regulation introduced by us allows classification of economic system by structure-forming criteria's.

Thus, the mechanism of regulation of the labor market:

- Acts as a system of socio-economic relations and functional relations in the employment exchange. System properties are found in its exchanges with other systems. The exchange is the property of interoperability in all areas and expresses its generalized qualities, inseparable from each system. This quality is fully inherent to the labor market, because it includes process of exchange of services of work for compensation. The mechanism of regulation is an internal element in relation to the mechanism of regulation of economy, and with its help subjects of regulation of the labor market influence the labor market. Thus, the system of regulation of the labor market exchanges with system of regulation of economy, regulation of commodity markets and services, etc.;
- Labor market regulation mechanism mediated by the operation of its inherent institutions (labor laws, the Law on Employment, the Ministry of Labour, the State Employment Services, trade unions, employers' associations, etc.) with their usual economic behavior;
- The monitoring mechanism reflects within a certain "economic mechanism" activities on the most efficient use of limited manpower in the labor market. This activity acts as a permanent regulatory process.

THE MECHANISM OF LABOR MARKET REGULATION

The labor market regulation mechanism acts as relationship system implemented through a set of interrelated economic, social and legal institutions. As the latter can act as subjects, objects and factors that express the impact of the external environment within used forms of labor market regulation based on information on his condition.

Thus, the mechanism of labor market regulation, as the system performs various functions. Some researches usually determine only the function of the labor market [6] or the function of the mechanism of regulation of the economy as a whole [2]. The functions of labor market regulation are not detected. We have allocated following functions of labor market regulation mechanism:

1. **Controlling.** It is main function of labour market regulation mechanism, which provides its operation. One of the required forms of labour market regulation is legal norms of labor legislation protecting the interests of citizens in terms of job security, work conditions, remuneration of labour. This mechanism regulates the relations of employers and employees, the supply and demand of labor services, remuneration of labour, it ensures balance between jobs and employees.
2. **Social.** From the point of view of socio-economic relations by means of labor market regulation, to some extent is the principle of social justice and workers receive adequate resources for the reproduction of the labor forces.
3. **The organizational function.** This function provides optimal organization of activities of employers and employees, trade unions and unions of employers, the state and the market, taking into account their interests, implication of different forms of labour market regulation, occurring new forms of employment. This function provides intermediary activities in the labor market.
4. **Redistributive.** This function of labour market regulation mechanism encourages independent and a cost-effective migration of labor across regions, industries and professional – qualification groups. This feature aims to overcome lack of manpower allocation through a market mechanisms. It contributes to more efficient allocation of labor across regions, industries and enterprises, depending on the quality and quantity of labor services.
5. **Stimulation function.** Stimulates workers to further training, retraining, involvement to entrepreneurial activities; employers to improve the working conditions, increase of remuneration of labour, the introduction of scientific research results, observance of hiring dismissal rules.
6. **Informative.** This function provides subjects of labor market with objective information about new workplaces. It is also important prediction of the development of regulation object in the future in order to apply the most effective regulatory policy.
7. **Pricing** (performed only by state). Regulation of labor market affects the wage, by establishing the minimum wage, and by influencing the average in particular industry, region or profession by its regulation in the state sector of economy.

Specific measures of state regulation of the labor market should be developed taking into account the stage of socio-economic development of the national economy (see. Table. №1) [4].

Table 1

State regulation of the labor market taking into account the stage of economic development

Stages of Economic Development	State strategy of labor market management
Crisis	Based on the model of survival, with the active actions on the effects on the labor supply and improvement of the investment attractiveness of the region, support for jobs and active measures to create jobs in the

	<p>"new" industries. The main objectives are: support for social stability, people's living standards, preservation of the labor potential of the country.</p> <p>The main methods: active measures on the labor market with the use of flexible forms of employment and employment while respecting the rights of entrepreneurs freely manage workforce (hiring and firing) in order to improve production efficiency.</p>
Depression	Maintaining the balance of the labor market, particularly, the demand and supply of labor. The emphasis is on the study of the labor market, forecasting the development of the demand for labor and planning the development of professional qualification and other structures of labor supply, development and implementation of strengthening measures on the labor market.
Rise	Focus on maintaining a productive model of employment in the labor market, regulation of labour supply and demand, and its price, taking into account the prospects for socio-economic development of the region.

The state labor market policy must be targeted to the problems of increase of labour efficiency. The structural changes of employment, as industrial – by increasing the share of advanced technologies, professional qualification – by increasing the proportion of skilled labor, demographic – by increasing the share of youth should also be targeted to it.

In terms of socio-oriented labor market regulation is emphasized on active regulation policies, government provides fully supports unemployed. Active policy implies change of quantitative and qualitative structures of demand and supply of labour services. This policy, which is followed by every country, by allocating on average 30 - 40% share of public financing of labor market programs, effectively reduces unemployment and maintains high level of employment [7].

The share of a labor market policy may vary depending on region as a whole, corresponding to the type of regulation of the national labor market. Most economists under the active and passive methods imply regulation methods [1; 8], but in our opinion this concept does not reflect the entire set of forms, methods, measures and instruments. Therefore, by the active and passive policy we understand exactly the policy of labor market regulation as a set of forms, methods, instruments and measures by which the labour market is impacted and its regulation mechanism is formed. The larger amount of an active policy in the labor market, the more favorable is a situation on the labor market, the less is the disproportion of supply and demand for labour services and the higher is general level of labor activity.

In most European countries spending on active policy of labor market regulation are diminishing over the last decade, except Denmark, Germany, Norway and France. Financing of active policies increased by an average of 9.5% from 2000 to 2010 in these countries. It only remained unchanged in Belgium (32% of total expenditure on regulation of the labor market). In many developed countries, financing of active policy has increased. Increase of expenses on active policy is especially noticeable in Australia (from 19% in 2000 to 31% 20 '10 of total expenditure on labor market regulations), Germany (from 29% to 38%) and

Norway (from 46% to 55%). In Sweden and Norway. About 55% of total expenditures on labor market regulation were spent to active policy on the regulation of the labor market in 2010. Austria and Spain has the biggest share of expenditures on passive regulation policy about 79 % and 78 % of total expenditures on labour market [5].

Since the beginning of the 1980s in developed countries conservative neoliberal model of economic regulation, which was based on strengthening the role of the market mechanism and the weakening of rigid state control over economic and social processes became dominant. The main task of the state in the labour market was weakening strict regulations of the behavior of the labour relations participants, increasing labor market flexibility and etc. In the context of the new employment policy strengthening of labor market flexibility was accepted as a tool that will solve the problem of effective use of human resources, reducing the level unemployment.

one of the main mechanisms of providing employment flexibility is temporary work. According to OECD labour market statistics the share of temporary employers is about 11% in OECD countries and 14% in G7 countries (Table 2).

Table No. 2 Temporary employment in OECD countries

Years	1985	1990	1995	2000	2005	2010	2012	2013	2014	2015
Countries										
OECD	8.3	10.6	9.9	9.9	10.5	10.8	12.0	11.8	11.1	11.1
EU 28	7.4	10.4	11.4	13.5	14.0	14.2	14.3	13.9	13.9	14.2
G7	7.0	7.3	7.8	8.2	8.5	9.2	9.2	9.2	8.2	8.0

OECD (2016), "Labour Force Statistics: Employment by activities and status", OECD Employment and Labour Market Statistics (database).

This type of employment has a different development results in different countries. For example, in OECD countries, temporary employment is popular in Spain, Mexico, Portugal, more than 20% is the share of temporary employment. Spain has the highest share of temporary employment – about 30%. The share of temporary employment increased 2 times in EU countries during 1985-2015.

CONCLUSION

The analysis of labour market condition is very important in case of development and realisation of the labor market regulation mechanism. Conducted research allowed us to prove the procedures of the labor market regulation mechanism. The procedures are: analysis of labour market conditions, identification of problematic areas of its regulation, the choice of regulation type, determination of regulation subject, the reasoning and analysis of regulation factors, inclusion of other type of regulation to the used model. Modern labor market has following problematic areas of regulation: activation of non-state actors in regulation (especially labor unions), implementation and distribution of labor market flexibility, increasing the demand for work through comprehensive assistance to small business, development of a human capital through improvement of general education and training, regulation of effective use of labor resources.

The obtained theoretical and practical conclusions can be used as a methodological and methodical base of labor market regulation, development of the relations arising from the formation and implementation of labor market regulation mechanisms.

It should be noted that considered various labor market regulations types are not static and unchanging. They are influenced by many factors, both internal and external. In our opinion labor market regulation types may vary depending on the region, especially in Uzbekistan, where the conditions of the labor market may vary depending on the situation in the region. The result of the regulation policy and the action of the labour market regulation mechanism is to achieve an optimal balance between supply and demand of labor services.

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**“Train people well enough
so they can leave. Treat
them well enough so they
don’t want to.”**

Sir Richard Branson



CONTRIBUTION OF GWALIOR-DATIA RRBS IN SOCIAL, GENERIC AND ECONOMIC DEVELOPMENT OF RURAL PEOPLE IN GWALIOR DISTRICT (1996-2001)

Dr. Sandeep Dwivedi¹

ABSTRACT

The basic need of Indian economy is to enhance economic development of the country. Generally economic development is concerned with providing various resources to fulfill the basic needs of common people. After independence various steps have been taken in this direction. It is generally seen that the economy of developed country is directly linked with urban areas, on the other hand the economy of economically backward countries are connected with rural areas. As we know India is a developing country and Indian economy is based on rural areas where most of the population dwells in villages. The contribution of rural areas in national income is about 33.1% which, no doubt, have values.

In present paper Contribution of Gwalior-Datia RRBs in Social, Generic and Economic development of rural people in Gwalior district (1996-2000) an attempt has been made to make study and analyze social and economic development of rural people in Gwalior district. Gwalior-Datia RRBs was established on 17th June 1988. In this study, research is done on the basis of credit distributed by Gwalior-Datia RRBs and other banking facilities to concerned people and its effect on the social and economical development of the rural people during 1996-2001.

Keywords: *Indian economy, Economical Development, RRBs, Reserve Bank, NABARD,*

Introduction:

In Indian economy agriculture has great importance. The fact is still deniable that agriculture is not the sole means of earning for most of the population. In fact it is a backbone of Indian economy. Many industries, acquisition of foreign currency and many public welfare schemes are depend on agriculture. The political stability of our country links with agriculture production. In India agriculture is the source of employment for increment in National Income and also for other small and big industries.

According to 2011 census, about 59% part of total population of our country connected with agriculture. People connected with agriculture as farmer, farm workers, landless agriculture workers always need money for production of crops. Hence, it is estimated that for many years, the unavailability of fund is always the great barrier for poor producers. Hence, to accomplish the financial needs of small and marginal farmers, landless agriculture workers, it was suggested to start regional rural banks in 1972 by Banking commission. In keeping above suggestion Narshimhan Committee was organized which supported to open regional rural banks in some selected areas. The Committee also mentioned that regional rural banks will be the combination of co-operative institution and commercial banks. Committee recommended an institution which can identify problems of rural people, able to make balance among common mass. And which is a combination of co-operative institutions and commercial banks, capable in circulation of funds, reachable in central currency market having modern approach.¹

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For establishing Rural Banks an act was passed in September 1975. According to this act on 2nd October 1975, 5 rural banks were started in four states. In this series, there had also been started several banks in other states. As in two cities (Muradabaad and Gorakhpur) of U.P.: Syndicate banks and State Bank of India, in Jaipur of Rajshtan: a United commercial Bank, in Bhivani of Haryana: a Punjab National Bank and in Malda of West Bengal: an United Bank of India had contributed in starting Regional Rural Bank. In the area of population below 10,000, there were 11,665 branches of these banks in 1980 which were increased to 15,100 in the last of 2010. In 2012, there were total 16,572 branches of regional rural banks. In out of total branches, there were 12387 (74.7%) branches in rural areas. Uttar Pradesh is the state in which maximum numbers of branches were established than any other state. Karnataka takes second position and Bihar is on third position in opening more branches.

On 2nd October 1975, Government established regional Rural Bank at five places which have been shown in **Table 1**

Name of place, state and sponsor bank of first five Regional Rural Banks in India

S.N.	Place	State	Sponsor Bank
1	Muradabad	Uttar pradesh	Syndicate Bank
2	Gorakhpur	Uttar Pradesh	State Bank of India
3	Bhivani	Hariyana	Punjab National Bank
4	Jaipur	Rajasthan	United Commercial Bank
5	Malkada	West Bangal	United Bank of India

Source:- Indian Banking system, G.S. Shekhawat, Page 112-113.²

Gwalior-Datia Regional Rural Bank had started 22 branches in Gwalior district on 29 April 1987 which have been divided into five blocks i.e. Morar, Ghatigaon, Dabra, Bhitwar and Bhandar. In present, Bhandar block has been merged in Datia and there are only four development block.

Materials and Methods :

For achieving the objectives, the study is based on Primary and Secondary date which have been taken from the published Annual reports of Gwalior-Datia RRBs, books and Journals and sample respondents.

Discussion:

Importance of establishment of Regional Rural Bank-

In the series of rural branches, Regional rural bank is a new link of co-operate banks and of commercial bank to impart institution credit. But there banks are not rivals to each other but they are complementary. Medium and rich farmers were got profited more from the cooperatives but they lack commercial ability of cultivation. As we know regional rural banks were aimed to establish to provide credit facilities to small and marginal producers, landless agriculture workers, rural artisans and other weaker sections of rural society and these modern banks are well outfitted for commercial aptitude and skill. We also find that commercial banks are willing to see rural branches in the form of deposit branch and to make transaction with poor section is unprofitable and hard to commercial bank, on contrary regional rural banks are running from the

invested amount of the same rural local people. The sole purpose of regional rural banks is to fulfill the credit needs of weaker section of the society.³

We can summarize the importance of the establishment of regional rural bank through the following facts.

1. Regional Rural Bank accomplishes the needs of small farmers, agriculture workers, artisans and small industrialist.
2. Regional Rural Banks shall provide the opportunity of job to local people. They are well aware of the problems of the local people. Hence, they shall be more inclined to serve to local people than other areas.
3. For all the works of Regional Rural Bank, Hindi will be the official language while commercial banks use English language for most of the work.
4. The working of Regional Rural Bank will be simple which can be easily understood and facilitate by the local rural people.
5. The relationship between Bank officials and customers will be at ease.
6. Managing expenses of Rural Banks will be less than from commercial bank.
7. National banks work with the purpose of earning profit while Regional rural bank will acquire service attitude. To be get profited will not be its purpose.
8. Regional Rural Bank will work with a view "neither profit nor loss."

Importance of the study :

Rural development means to us is that there should be improvement in the lives of people who work on low wages in rural areas. For this, it is necessary to throw light over the several roles played by financial institutions of regional rural banks. It is also needed to make an estimation that the number of financial institutions are at the same proportion with the rural people or not. As long as financial institutions do not play their responsibilities, the establishment and development of regional rural banks are not possible. It is very essential for regional rural banks or institutions to play their role honestly in implementation of the schemes which have been introduced for rural poor people.

All aspects and works of human life have been included in rural development. In which agriculture development is the essential part of rural development and lack of finance is a big curse for agriculture. Indian farmers specially small and landless farmers are always poor. And in such a condition they are always in debt not only for purchasing manure, seeds etc and other expenditure related to agriculture but to fulfill their social responsibilities also. This section of society is always crunched by poverty and is buried beneath it. To make poor farmers free from poverty and to enhance their income several rural development programs have been initiated. Financial institutions contribute a lot to run such programs. In this research, a study has been made to know that in how much extent efforts have been made to enhance economic development of this section by regional rural banks.

On the basis of order given by Indian Reserve Bank and National agriculture & rural development (NABARD), Leading Bank has prepared annual credit schemes plan 2000-2001 by computer. The details are following:-

Detailed report of annual credit plan 2000-2001 of all banks of Gwalior district is represented in the **Table 2.**

Annual credit plan 2000-2001 District Gwalior

S.N.	Bank Name	Agriculture and other related sector		Small Industry activities		Other primary sectors		Total received areas	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	Commercial Bank	2285	146847	1947	138502	4473	266967	8705	352343
2	Regional Rural Bank	818	43527	243	12500	148	15580	1209	71607
3	Co-operative Bank	631	278627	144	41300	60	3925	835	323852
	Total	3734	469028	2334	192302	4681	286472	10749	947802

Source: Service sector and Annual credit plan 2000-20001.⁴

We can see in above table the place of regional Rural Bank concerning agriculture and other related activities and small industry activities than other banks. Regional Rural Banks can be seen playing leading role in all schemes initiated by government. This is the reason that after a long time many rights have been given to regional rural banks to determine bank rate and work place under the various government policies. The bright results are being expected and even have been seen in this financial year. According to annual report of regional rural bank, the banks get profited.

However, the study of the present paper is concerned Regional Rural Bank (which is known Gwalior-Datia regional rural bank in Gwalior District) an estimation of the progress of last 5 years of Gwalior-Datia RRBs has been made on the basis of deposited money and advanced loan in banks. It is clear from the following table that from 1996-97 to 2000-2001 Gwalior-Datia Regional Rural Bank made growth which shows that all the government schemes have been initiated by banks with honesty to enhance Agriculture and Rural development.

Table 3-Progress table of Deposits and Advanced loan in Gwalior-Datia Regional Rural Bank

(Amount in lakhs)

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-2001
Deposit	2236	2967	3707	4678	5996	7631
Advanced loan	1153	1150	1798	1999	2466	3367

Source: Annual report of Gwalior-Datia RRBs 1996 to 2001.⁵

If we make study of all branches of Gwalior-Datia RRBs of Gwalior district, we find that various schemes are initiated by government for enhancing economic condition of the neglected section of society. Through these schemes, advanced credit has been distributed by banks but there were less recovery as it had ever been expected. The main reasons behind it were delay in receiving loan and unavailability of receiving total distributed amount to debtor. It may be because of illiteracy of mediator and customers. Because of illiteracy, customers were unable to take profit of various schemes initiated by government. Due to the illiteracy customers could not make complete and directed or right use of received advanced amount and they also could not return received amount in time. According to the following table, there were only eight branches out of seventeen branches of Gwalior-Datia RRBs got profited till 31 march 2001 and 11 branches were in loss But in 1996 Reserve Bank released interest rate over debtor and it made sustainable impact over the progress of banks and the first time in 1999-2000 Gwalior-Datia Regional Rural Banks got profited which indicates that Regional Rural Banks are making good efforts in the economic condition of weaker section of society by good implementation of schemes.

Table-4 Effect on income and income growth of selected families on economic basis before and after of schemes initiation

S No.	Category (on Economic Bases)	Total Frequen cy	Income (in rupees)				Difference		Growth Percenta ge
			Before getting profited by Schemes		After getting profited by Schemes		Total	Per Family	
			Total	Per family	Total	Per family			
1.	Small Farmers	104	330616.00	3179.00	373648.08	3592.77	43032.08	413.77	(+) 13.02
2.	Marginal Farmers	200	612950.00	3064.75	712038.04	3560.19	99288.00	496.44	(+) 16.17
3.	Landless workers	206	620474.10	3012.01	767428.20	3725.38	146954.10	713.37	(+) 23.68
4.	Rural Artisan	90	291610.00	3129.00	330784.20	3675.38	49174.30	546.38	(+) 17.46
	Total	600	1855650.10	12384.76	2183898.5	14553.72	338448.38	2169.96	(+) 17.52

Source : Data collected from sampling during research period (1996-2000).

Hence, after getting benefit under various development schemes there have been available physical assets and other sources of income. Small farmers got 13.02%, marginal farmers 16.17%, landless workers 23.6% and rural artisans got 17.46% growths in per family income. The result is not as satisfactory as it was expected

Research has also been made on social basis to show actual condition of the customers. It has been studied that in what extent customers' incomes increase because of availability of extra sources of income. It has also been noticed that how much growth of income (in percentage) is recorded after increase in family income. The following table shows the Income Effect and respondents' per family income growth on social basis sampling.

Table-5 Income Effect and income increment of sample respondent on social basis before and after of schemes initiation

S No.	Category (on Economic Bases)	Total Frequ enc y	Income (in rupees)				Difference		Growth in Percenta ge
			Before getting profited by Schemes		After getting profited by Schemes		Total	Per Family	
			Total	Per family	Total	Per family			
1.	Schedule Caste	200	598620.00	2993.10	670152.00	3350.76	71532.00	357.66	(+) 11.95
2.	Other Backward Class	200	611852.00	3059.26	733800.00	3669.00	121958.00	609.79	(+) 19.93
3.	General	200	636926.00	3184.63	771266.00	3856.33	134340.40	671.70	(+) 21.09
	Total	600	1847398.00	9236.99	2175218.00	10876.09	327830.40	1639.15	(+) 17.75

Source: Data collected from sampling during research period (1996-2000).

It is clear from the above table that of total 600 sample families selected on social basis, the incomes of scheduled caste, other backward class and general class were 2993.10rs, 3059.25rs and 3184.63rs per family respectively before they got benefit under these schemes. But the income of all classes increased after getting benefit from these plans and getting more physical assets as in SC, OBC and General 357.66rs, 609.79rs and 671.70rs respectively. It is noticed in the study that general class made more progress than scheduled caste and other backward class. But in percentage because of physical assets growth in per family income has been recorded as 11.95% in scheduled caste, 19.93% in other backward class and 21.09% in general class. An average growth of 17.75% has been seen on calculating on the basis of Statistical Science.

Conclusion:

The present study is based on 600 respondents (living their life below poverty line) who got profited through various development schemes initiated by the government on the basis of 25% sampling done out of 17 Regional Rural Banks of Gwalior district of Madhya Pradesh. In this study, an equal importance and

treatment have been given to each class of society as general, other backward class and scheduled caste. On social – generic bases there were selected 200-200 samples from each class. The study is also based on the basis of economic category by discussing primary data from sample respondents of three classes (SC, OBC and General) in which there were selected small farmers, marginal farmers, landless workers and rural artisans in no of 104, 200, 206, 90 respectively

On the basis of primary analysis performed before and after development schemes over the sample respondents, it has been concluded that there has been increase in income of all beneficiaries as small farmers, marginal farmers, rural artisans and landless workers on the basis of division of economic category. It has also been noticed that the growth percentage in families of small famers, marginal farmers, landless workers and rural artisans are 13.02%, 16.17%, 23.68% and 17.46% respectively. And the average growth of per family has been found 17.52%.

On social and generic basis, the increase in income of 200 families of scheduled caste is 357.66rs per family or 11.95 in percentage. And OBC and General Category 609.79rs per family or 19.93% and 871.70rs per family or 21.09% increase in incomes have been recorded. In general category of 200 respondents income growth of 871.70rs per family or (+) 21.09% has been recorded but by calculating the effect on average income, the average increase (+) 17.75% was found.

It may be possible that with the increase in income, there may be growth in expenditure of surveyed families. Keeping this point in mind, a study has been done on the effect of expenditure of surveyed families. On generic basis, an analysis was performed after development schemes over respondent's expenditure. The expenditure growth of scheduled caste was 364.93rs per family expenditure or (+) 11.68% expenditure growth, of OBC was 623.13rs per family expenditure or (+) 19.84% and for general class per family expenditure was 698.09rs or (+) 21.03% expenditure growth. While an average expenditure growth was found (+) 17.59%

Hence, it is clear that the income and expenditure of sample respondents have been increased due to increase of other sources of income which indicates that rural weaker section of society is making sustainable progress and economic development. And contribution of Gwalior – Datia RRBs is recommendable.

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DEVELOPING THE COOPERATIVE RELATIONS BETWEEN AGRICULTURE AND THE ENTERPRISES, PRODUCING CROP OILS

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ABSTRACT

This article has based scientific works on organizing industrial cooperation investigated by our and foreign countries' scientists, and it also describes methods of developing the reciprocal economic relations on the base of cooperative principles between the enterprises, producing crop oils and agriculture in cotton-growing regions. It is also suggested to organize agro holdings in the system of producing and selling the crop oils.

Keywords: industrial cooperation, agriculture, industry enterprises, mutual partnership, cooperation principles, agro holding

Introduction

For the independence years, in the process of reforms carried out in agriculture of Uzbekistan, new types of farming **subjects**, including peasant farmings have been formed. At present, they are considered as the main farming subjects, producing agricultural and livestock products. At the same time, they are widening economic relations with industrial enterprises, reproducing agricultural products.

In addition, in his lecture of the widened meeting of the Cabinet of Ministers devoted to the totals of the social and economic development of our country in 2016th year and priorities of the economic program, intended for the 2017th year, Shavkat Mirziyoyev, the president of the republic of Uzbekistan, emphasized that the life itself and the people's requirements are imposing new and complex functions at us, especially, it is necessary to study the situations in villages and to open wide possibilities for small business and entrepreneurship. Strategic functions aimed to cover the world's markets are planned by competitive national products among the world's leading companies, including improvement of reciprocal relations of industrial enterprise with agriculture, fulfilling the internal markets of our country with quality and cheap products. The world's experiences show that the efficiency of the activity of agricultural producers doesn't only belong to cooperation based on the principles of the internal labour distribution in farms, but to interbranchial cooperation and integration of preparing, keeping, reproducing and selling raw materials. From this point of view, it is the main way of producing quality products in the condition of market competition by developing the internal farming cooperation specialized to produce livestock and agricultural products through the regions of our country. One of the advantages of it is that sides who make cooperation supply each other with guaranteed orders; it guarantees their financial activity to be stable.

Theoretical background

Scientists of our country and foreign countries have studied scientific theoretical and applied problems of organizing cooperation, including agriculture and industrial cooperation and integration in the research works. [2-9]. The analysis of the research works show that the primary ideas, principles and forms of

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organizing agricultural production and consuming cooperations were based by A.Chayanov, a Russian scientist. [2]. Later scientific point of views and practical conclusions were widely applied and developed in many foreign countries. For example, agrarian policy of Canada are subject to the unite of producers in the refinery, wholesale, sometimes, retail spheres. [3]. At present, having a lawful base, these cooperation enterprises are considered vital standards recognized by the activity of producers.

Today, having lawful bases, cooperatives of more than 4,2 thousand independent goods producers, refinery and service activate in Germany. [3]. These cooperatives are based on the principles of reciprocal maintaining, supproting, regulating itself, public responsibility, and keeping the competitive capabilities. Almost all farmers and small refinery enterprises in the country admit these principles and are members of one or some cooperatives. On the foundation of these principles, cooperative form of reciprocal partnership and organization of partner enterprises united to the cooperation in the economic spheres are widespread in different foreign countries. The UN data in the table inform about their activity volume.[4]

Table-1 Population amount engaging in the cooperative activity of foreign countries

Countries	Population amount of a member of one cooperative at least (percentage of population at the age of 15 to 60)	Population engaging in the cooperative activity (percentage of all age groups)*	Percentage of membership to the people's cooperative alliance
Developed countries with market economics	33	62	24,4
The developing countries	20	57	63
Countries with transition to economics	39,3	70	12

* a family consists of 3 people in developed countries, 5 people in the developing countries and 3 people in countries with transition to economics.

This table shows that 40 percent of the population of countries with transition economics is a member of at least one cooperative, 70 percent engages with the cooperative activity. This percentage is more higher than the percentages of the developed or developing countries. This table's figures informs that reciprocal partnership cooperation is its efficient form.

At the same time, it may be observed development of vertical and horizontal cooperative forms of reciprocal partnership in agrarian sector of Russian Federation. Vertical cooperative forms engage with organizing certain specialized agro holdings. According to the purpose, horizontal cooperation is organized on the foundation of deepening their specialty and refinery raw materials with industrial enterprises and as a result producing ready products by dividing the activated farms into relatively small farms.

By these ways, enterprises which are joining to cooperation, have possibilities of producing competitive products.

Literature review

In Uzbekistan, problems of organizing and controlling cooperation and integration relations are at the centre of scientists' attention.

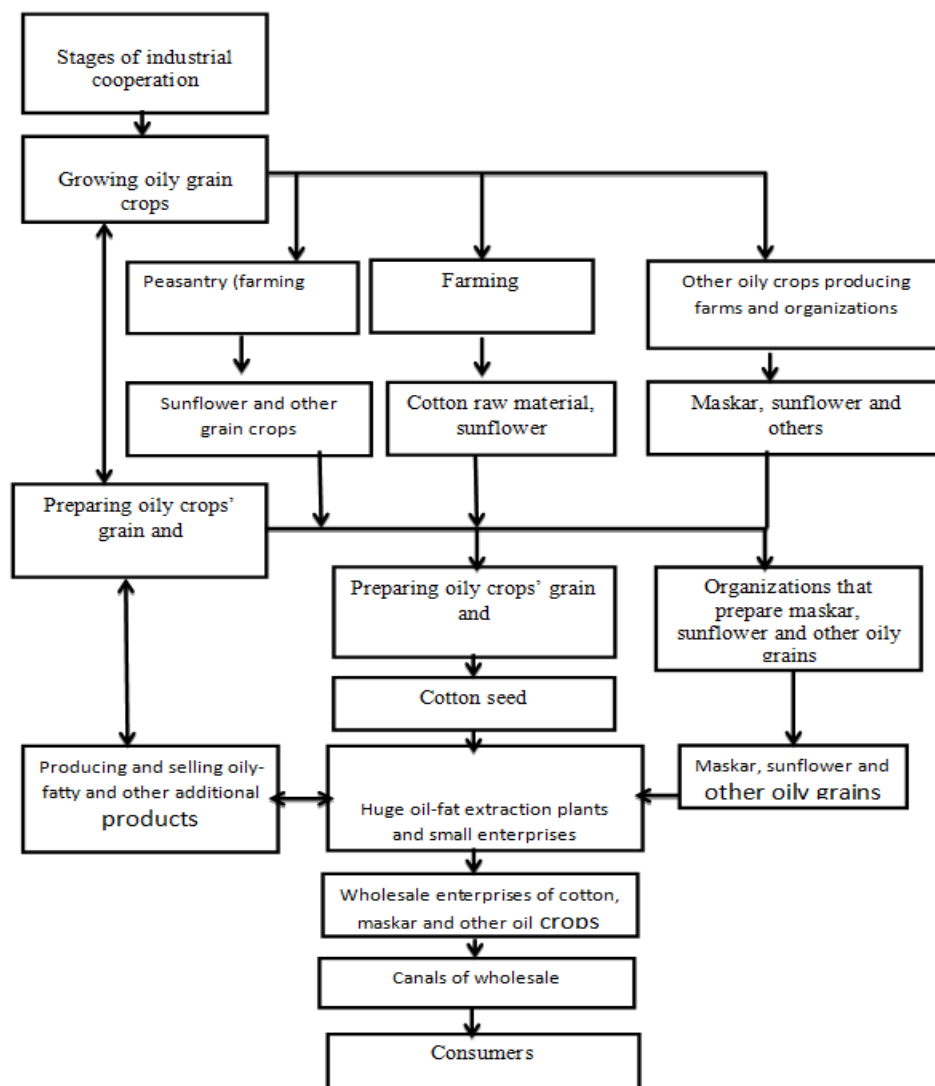
In the conditions of market interactions, agrarian production and organization of reciprocal economic relations among the service enterprises have been studied in the research works of U.Umurzakov, N.Khushmatov, T.Farmonov, Ch.Muradov, R.Toshmatov and others.

In spite of it, on the base of contracts with agricultural enterprises, scientific-methodical problems of organizing and managing the partnership based on the reciprocal cooperation haven't been yet widely investigated in the process of selling and buying raw materials, keeping and refining them, and selling ready products to consumers.

It is known that in Uzbekistan, at today's stage of reforms, organizing the industrial cooperation is rapidly developing on the base of conducting industrial cooperative fairs.

Developing the cooperative relations between agriculture and the enterprises, producing crop oils

By this way, reciprocal profitable economic relations are being strengthened on the base of long-term contracts among the industrial and other enterprises. (Picture)



Picture. Stages of producing and realizing oils on the base of agriculture and industrial enterprises

The source of profits and guarantees depending on the profits are creating a base to it. Supporting these positive experiences of carrying out programs on localizing the production, developing the family cooperation with huge industrial enterprises, it may be organized and developed the internal interbranchial industrial cooperation of peasant farmings. In this direction, it is an actual function to develop cooperative relations in the production and sale of crop oil between agriculture producing oily grains and industrial enterprises, refining oily grains and to adapt them to market situations.

According to statistic data, in our republic, during the 2015-2016 years, 220-230 thousand tons of crop oils and 10-12 thousand tons of cattle fats were produced¹. Total consumption demand of the population consists of almost 300 thousand tons of crop oils. Due to it, a certain part of crop oil used for the food is covered at the expense of import.

At the same time, although the index of costs of oil producing enterprises decreases, their retail cost has its continuous growth tendency in the oil-fat market. Lowering the growth of oil's retail cost must be the system of reciprocal relations suitable to the principles of cooperation between producers and sellers.

At present, there are reciprocal relations based on the two-sided contract between agriculture and oil-producing industrial enterprises.

Plants and small enterprises which produce oils buy oily grain crops and cotton seeds as raw materials from farmers and other agricultural organizations. Thus according to the production of crop oils, there are reciprocal cooperative stages based on the contracts among the three-staged raw material producers, refining industrial enterprise and trade companies.

But although such relations based on the contract are founded on the demands of market attitudes, they don't adapt to the long-term reciprocal beneficial cooperative principles. As a result, demands on the volume and quality of raw materials shown in the contract aren't performed. The existence of these situations in practice is confirmed by the analysis of contracts made by farmers on buying maskar grain from Karshi oil-extraction plant. The increase of expenditures of raw material is causing the consumption cost of oil products to grow in wholesale and retail. In these directions, it is certainly necessary to elaborate mechanisms lawfully and economically regulating reciprocal partnership permitting high profits of raw material and oil producers and to eliminate certain problems.

They must be as followings according to the research works:

- applying financial sanction on the responsibility of the volume, quality and delivery of raw materials by two-sided contract;
- delivering technological demands of refinery enterprise on crop oil raw materials and monitoring them;
- accepting and applying the official lawful statute describing economic and financial benefits of sides participating in production and sale of crop oils.

Application of these mechanisms serves reciprocal partnership based on the cooperative principles to work effectively, to increase the profitability of sides.

Conclusion

The above-mentioned situations can be concluded as following:

- In Uzbekistan, the efficiency of reciprocal economic partnership attitudes formed on the demands of market economics between agriculture and industrial enterprises refining raw materials of crop oils is keeping its low level. It may be explained with the tendency of continuous growth of consumption costs of crop oils.
- It the most efficient way to stabilize the retail cost of crop oils, to transit to production cooperative principles on the foundation of foreign experiences among raw material producers and crop oil producers and enterprises that are busy with the wholesale and retail sale.
- On the base of cooperative principles, at the primary stages of producing and selling crop oils, it is possible to enlist private ownership enterprises specialized in preparing oil products such as sunflower, maskar, sesame and later to organize agro holdings by their participation on the foundation of huge oil-extraction plants (stock holder societies).

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DEVELOPMENT OF DEMAND ON TOURISM SERVICES OVER INNOVATIVE ECONOMIC ADVANCEMENT CONDITIONS EXAMPLES OF UZBEKISTAN

Bobur Sobirov¹

ABSTRACT

The paper makes strong analyzes of the tourism services development in the condition of innovative economy. On this way, demand of tourists in the country has seen as a major feature while using and investigating feedbacks of them usually. Moreover, major feedbacks of the tourism demand, terms of innovation and theories of topic were stated in the paper accordingly. Finally, mechanism of the tourism services improvement was suggested by methodological recommendations as whole.

Keywords : *Tourism, innovative, Uzbekistan economy, tourism services, feedbacks, tourism demand*

Introduction

Currently, tourism around the world has a considerable share in the global economy, including the creation of new jobs, attracting additional investments, expanding the range of services and services, increasing tax revenues, friendship, tolerance and tolerance among nations, but also to the preservation and rational use of cultural, historical and natural resources. According to President of the Republic of Uzbekistan Sh. Mirziyoyev, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan from March 10, 2015 with No. 53, "About some questions of development of tourism in the Republic of Uzbekistan" it was highlighted that tourism could be one of the major economic field of country as whole.

Furthermore, has been launched "Action Strategies on the country for the years of 2017-2021 years" were major while mentioning of new approach to the strategic planning of tourism in the state and society development perspectives.

Along with the positive shifts in the tourism market of our country, there are some problems that hinder its sustainable development. Finding an innovative approach to this industry, identifying deficiencies in the industry by examining the flow of tourists, and studying the demand for new types of services.

Looking at the world experience, the full development of the tourism sector in the particular region will be achieved first of all by the joint efforts of the state, business and science. This will require an innovative approach to improving the mechanism of this cooperation and the effective functioning of the tourism market in the country's national economic system and the development of its development concept, with a profound study of the structural tendencies of the development of the tourism market based on territorial features.

There are various definitions of the term "innovation", which derives from the Latin "innovatio" which means the creation of something new. The diversity of definitions lies in the different purposes for examining

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this phenomenon. Probably the most useful definition is that provided by the late Schumpeter who distinguished five areas in which companies can introduce innovation:

- ✓ Generation of new or improved products
- ✓ Introduction of new production processes
- ✓ Development of new sales markets
- ✓ Development of new supply markets
- ✓ Reorganisation and/or restructuring of the company

The above definition clearly distinguishes innovation from minor changes in the make-up and/or delivery of products by extending product lines, adding service components or product differentiation. Successful innovation, e.g. innovation that is also profitable to the tourism firm in a competitive market, must increase the value of the product or tourism experience. Since the value equation is “quality perceived by customers, divided by the price (cost) of this quality”, to be successful innovation must increase value either by improving the quality or by lowering the price (cost).

Producing and marketing tourism products is not the same as producing and marketing industrial products. Tourism’s specific characteristics often pose constraints or problems that can serve as stepping-stones for increasing the value of products via innovation. The differences are as follows: tourism produces and sells product bundles (or “experiences”) which are very intangible; its products cannot be stored (simultaneous production and consumption); the consumption of tourism products involves the active participation of the customer (prosumer); tourism production/marketing may often involve major capital assets (airlines, hotel chains, car rental firms); the intermediation, distribution and final consumption stage may often require interaction of different personnel categories (e.g. travel agencies, restaurants, coaches, etc.). Typically when a tourist spends his holidays in a destination, he does not consume the products of just one supplier, but a package of services as a whole.

Many suppliers participate in the creation of a tourism experience. This requires vertical cooperation as the tourist’s overall quality assessment depends on cumulative quality perception. As far as the tourist is concerned, the product is a complete experience; encompassing everything from the time he leaves home to the time he returns.

Literature review

Tourism is now recognized as a sector of the economy of the country, and many foreign and native scholars select the issues of its establishment and development. The problems of socio-economic, geographical aspects of the tourism-recreation industry in the regions, tourism economy, tourist market economy, theoretical and practical issues of economic relations, inherent in tourism and recreational production, as well as the particular problems of the use of recreational resources are among the CIS scientists, V.I. Azar, A.Yu. scientific works of Alekandrova, M.A. Anenev, A.X. Abukov, V.S. Bogolyubov, I.T. Balabanov, M.B. Birjakov, Ye.I. Bogdanov, M.N. Dmitriev, G.M. Dolmatov, A.V. Drozdov, A.B. Zdorov, N.B. Zorin, V.A. Kvarnov, G.A. Karpova, V.S. Senin and reflected in their research about tourism services and development as whole.

Moreover, A.P.Durovich, A.T. Kirillov, F. Kotler, V.N. Nikolashin, G.A. Papiryan, Yu. A. Pshenichnyx, A.E. Sak, V.B. Saprunova are major researchers in the field of tourism while considering theoretical and practical aspects of related to the promotion of tourist goods. Theoretical bases and practical aspects of management at various levels of tourism, organizational issues of tourist activity include V.G.Gulyayev, M.A. Jukova, N.I. Kabushkin, V.A. Kventalnov, R.Yu. Popova, B. Render, L.V Sergienko, N.V. Turchinskaya, K. Haksever, A.D. Chudnovsky, I.I. Cherkasova and others have their own works and their researches.

Development of tourism in Uzbekistan is believed due to investigations both in theoretical and practical basis. On this way, N.M. Abdusalomova, Z.D. Adilova, Q.H. Abduraxmanov, Ye.V. Golisheva, O.Z. Djalilov, I. Ivatov, N.S. Ibragimov, O.K. Kim, B.Yu. Mirbabaeov, S.S. Ruziev, A.F. Saidov, B. Sh. Saparov, T. Tashmurotov, N. Tukhliyev, I.S. Tukhliyev, B.X. To'rayev, D.Q. Usmanova, O.X. Xamidov, N.A. Xodjaeva, Ch. Khusanov and were major authors of deployment as whole.

Scientific research of the above-mentioned scientists has a role and significance in the work done in this direction, but the problems related to the territorial features of the development of tourism market and their analysis are beyond the scope of scientific research. In particular, the theory of modern marketing research and its introduction into the regional tourism market, the improvement of the organizational and economic mechanism of the development of the regional tourism market based on innovative technologies and other issues have not been sufficiently studied. In addition, every problem requires a special solution for a specific period. Therefore, a new approach is required for the development tendencies of the regional tourism market.

Essential characteristics of the innovation process

Basic innovations are not subject to planning Fundamental or basic innovations are not subject to planning. They result from new discoveries which often never reach the market in the form of goods or services, or do so only after a very long time. The consequences of basic innovations, which according to Schumpeter stimulate Kondratieff cycles and lead to longer lasting periods of economic prosperity, are impossible to predict (Nefiodow, 1990). Fundamental innovations in the means of transport have had a revolutionary impact on tourism in ways that no one could have foretold. Trains, planes and the automobile shortened distances, reducing travel time and costs (Keller, 2005). These innovations led to the creation of large tourism centres, significant spatial growth, and the opening up of remote markets

Tourism enterprises cannot count on the input of special research departments, as they can in the processing industries. Generally speaking, the innovation process has not been made a matter of routine in tourism. In tourism innovative, successful competitors at the product level will soon find themselves being imitated. At the process level innovations tend to be outsourced. Imitation and outsourcing are the most important means of disseminating innovation in the field of tourism

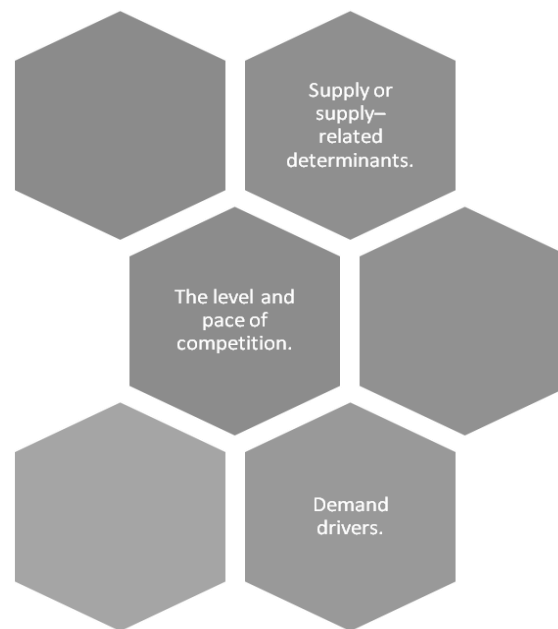
Innovation in tourism

With respect to the tourism sector, what appears to be called for is an intimate familiarity with consumer needs and preferences in particular specialized markets, and a speedy and imaginative approach to how these needs might be catered to in a more efficient, but also a more attractive and user-friendly manner. But my uninformed speculation suggests that Information Technology, and the Internet and World Wide Web in particular, are going to transform the role of travel agents, and doubtless sharply reduce the size of the travel agent industry, unless this industry can identify a new bundle of services that can be provided to potential travelers. Any household with access to the Internet – and therefore access to Google – now has

immediate access to detailed information about almost any conceivable location on the earth's surface as a possible candidate for a visit. Needless to say, ticketing for airplane travel can also be arranged on the Internet, which also provides invaluable information about the various prices of airplane tickets. In fact, an American research company (Forrester) has recently calculated that travel is now the largest on-line business in the world. The Internet is obviously transforming the tourism business in many ways, and easy access to information is growing rapidly in each of the separate components of the industry, and making it increasingly competitive. The ultimate uncertainty is figuring out new ways of rendering the tourist industry at least minimally profitable. I am happy to leave this subject to your deliberations over the next two day.

Innovative development

What drives innovation in tourism? There are three factors that determine the level and pace of innovation in tourism, such as:



Tourism innovative features make better development in the service improvement as whole. Categories and factors on this point make better analyses in order to unit mechanism of deployment. Author makes theoretical analyses to make better improvement of factors according to factors.

Supply factors

New technologies have resulted in the development of new skills, new materials, new services, and new forms of organisation. This has been especially true in the last two decades, in which technological innovation has played a crucial role. In tourism, technology has created a new form of business called “e-tourism”, which is today the most successful form of “e-commerce”. This has created a need for new tourism management skills (e-marketing), such as coaching and interactive skills in the fields of wellness or adventure tourism. New information services for guests emerged as databases made it easier to process customer profiles and behaviour. New forms of network organisation also emerged particularly in the field of cooperative tourism marketing, assisted by new technologies.

Demand-side changes

There have been changes on the demand side as well as on the supply side. Social progress in the areas of work versus leisure time, the population pyramid, individualisation and increased demand for quality have modified leisure and tourism behavior²⁹. New lifestyles have been created by flexible work hours, higher incomes, more leisure time and the increased value of holidays that are now seen as an essential part of life. Basic driving forces for quality service are punctuality, accountability, convenience, speed, and price. Aesthetical considerations, personal attention, and multiple options are secondary and viewed as “added features”. They nonetheless help to create a special “value for money” for the customer. Customer orientation plays a fundamental role in service innovation. Valuable information can be gained from the behaviour of the customer, who is closely involved in the production of any tourism service. Companies need to be ready to adapt to the changing interests and values of their guests. The most successful new products offer a special or unique value based on innovation with the client’s interests and needs in mind. Such innovations lead to a higher market share, improved efficiency and make it easier to achieve turnover and profit objectives

Competition

Many tourism branches and in particular transportation, airlines, hotel chains, tour operators and car rental agencies are highly concentrated and act as global players in the industry. As markets mature further technological advances in the IT field and the slowing of demand can transform normal rivalry into ruinous competition. Globalisation and deregulation have further heightened competition. As in other fields of economic activity they favour process innovation (networking, reservation and yield management systems, etc.) rather than product innovation, the latter being too easy for rivals to imitate International tourism has undergone a fundamental change.

New destinations are successfully competing against the traditional tourism countries, which in many cases have exhausted existing resources and the potential for rationalization. Additional inputs of capital and labour are costly in such circumstances and do not always lead to the desired level of growth. Tourism policy therefore increasingly focuses on the promotion of innovation. The aim is to achieve a new burst of growth at the lowest possible cost in terms of incentives. Innovations are expected to add consumer surpluses and to increase profits for the suppliers of tourism products and services. There is indeed something magical about innovations. They are the essential motor of growth in market economies.

The ability to innovate is crucial not only to the survival of individual companies, but to the entire economy of a modern nation. Nonetheless, innovations can only perform the function of providing economic growth in the presence of favourable State incentive systems. It is not the State however that creates innovations. Rather they are the result of processes which, having been subjected to extensive analysis are today well known and have become quite routine. This is as true of innovations in the field of tourism as in any other sector. The tourism industry does of course have a number of specific characteristics which can influence the innovation process in ways that are both positive and negative. Tourism is best defined on the demand side. It has heterogeneous and ephemeral industrial structures. Tourism is important to many sectors of the economy. And it has an inherent geographical dimension. It is an industry in which the State plays a major role as co-producer. Innovation can thrive in tourism, but only in conditions of the greatest possible competition that make the renewal of existing structures possible. These structures need to be either developed further or entirely replaced. New structures are needed, of a kind that will increase

productivity and growth. Governments must not attempt to devise counter-productive laws and regulations to hinder the inevitable process of restructuring.

Scientifically methodical recommendations:

1. The methodology of development based on the cluster approach of the regional tourism market is proposed. At the same time, theoretically based on the suggestion of creating a cluster cluster as an improved organizational and economic mechanism for raising the competitiveness of the region, the directions of development of the regional tourism market are determined on the basis of a cluster approach.
2. Methods of marketing research in the regional tourism market are proposed. At the same time, theoretical and practical basics of marketing research on the basis of the formation of modern marketing information systems will be based on the wide application of innovative technologies in the regional tourism market.
3. Optimal models for determining demand and supply in the regional tourism market are presented. At the same time, econometric models of demand for tourism services will be developed to identify perspective directions of development of regional tourism market on the basis of potential buyers of tourist products. Also, based on the developed econometric model, factors affecting the volume of tourist products offered in the regional tourism market are determined.
4. Criteria and indicators for evaluating the effectiveness of the management of the tourism market will be developed. The criteria for the effectiveness of the management of the tourism market are determined, and the indicators of the market management efficiency are classified in macro, macro and micro levels. Also, the effectiveness of the management system of tourist organizations is assessed using the recommended dynamic standards.

In scientifically practical terms:

1. Establishes the institutional framework for regulating the regional tourism market. At the same time, in the framework of improving tourism normative-legal base, development mechanisms of investment attractiveness, support of entrepreneurship, uninterrupted provision of tourism network with qualified personnel, methodical approaches, practical proposals and recommendations, the directions of improvement of the regulatory system of the state are determined.
2. The directions of innovative development of the regional tourism market are defined. The role of information provision in the development of the tourism market will be substantiated, and innovative areas of the country's tourism information system development and development will be proposed.
3. Multiple effectiveness indicators will be developed, which will allow evaluating the real contribution of the tourism sector to socio-economic development of the region. At the same time, a system of economic indicators will be developed to assess the multiplier effectiveness of tourism and based on these indicators, the real contribution of the tourism sector will be assessed in the socio-economic development of the region.

Conclusion

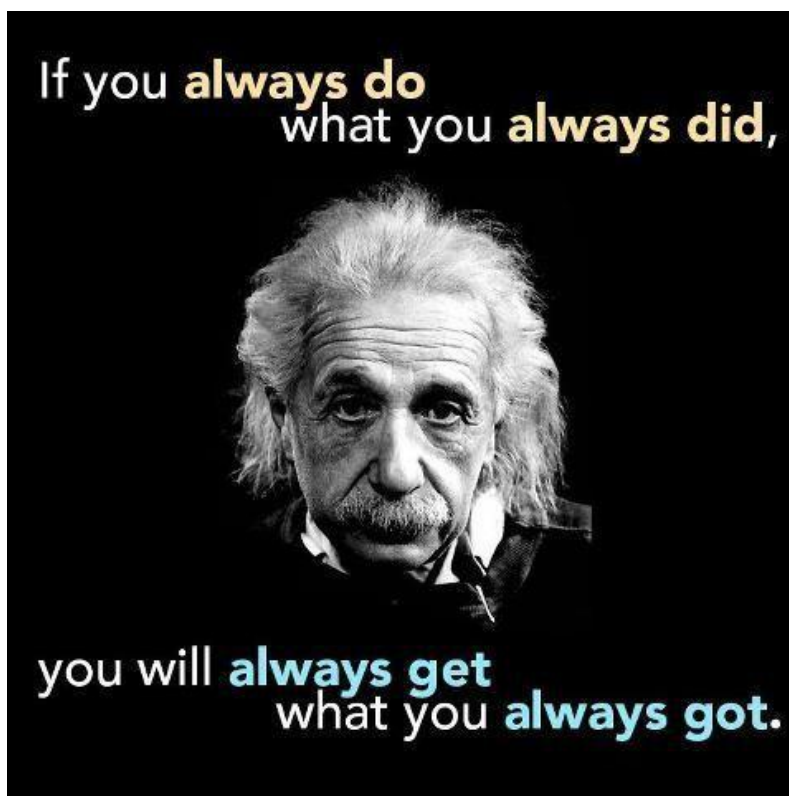
Tourism sector of Uzbekistan has great opportunity in order make better contribution on GDP. On this behalf, innovative technologies on the identification of tourist demand has been considered as a major factor

of deployment. Moreover, way of tourism services expansion needs to be analyzed in order to make better conclusions as whole. Furthermore, demand of tourists in the country has seen as a major feature while using and investigating feedbacks of them usually. Moreover, major feedbacks of the tourism demand, terms of innovation and theories of topic were stated in the paper accordingly. Finally, mechanism of the tourism services improvement was suggested by methodological recommendations. In conclusion, experience of well –developed countries, methodology and mechanisms of deployment, instruments of improvement are vital aspects in order to make advancement on sector.

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ENVIRONMENTAL FRIENDLY CLOTHING: AN EMERGING TREND IN THE INDIAN FASHION INDUSTRY?

Yuvraj Garg¹

ABSTRACT

Indian textile and fashion industry is an important driver of country's economy and contributes significantly towards employment generation and export. However, the industry is causing a considerable negative impact on the environment. The growing environmental concern among consumers, environmental litigation, media and NGO's environmental activism about environment and impact of major ecological disasters on public opinion have led to various initiatives in textile and fashion industry such as organic cotton farming, natural and eco-friendly dyeing process etc.

However, it is observed those stakeholders working in the fashion industry are lacking common goals and definition of environment-friendly clothing. They do not have a clear idea of the unified definition of eco, ethical and environment fashion mean.

The study aims at exploring the environmental issues in the textile and fashion industry through literature review and survey among various stakeholders such as garment manufacturer, retailers, e-retailer, and designers.

The study analyzes the impacts of textiles and fashion industry on the environment, various definitions related to environment-friendly clothing from literature and develops an operational definition of environment-friendly clothing in the Indian context.

Secondly, the author explores the environment related issues in textile and fashion industry with a semi-structured questionnaire from 70 manufacturers, retailers, brands, online store and certifying agency.

The study finds an increasing awareness and acceptability of environment-friendly clothing among the organizations researched. Naturally dyed, block printed clothes and organic cotton clothes are potential options for growth in the market.

The author suggests that environmental friendly clothing should be promoted via marketing strategies which should be designed considering consumer attitude in mind. Also, the Author suggests a unified eco-label can help is required for standardization and information credibility of environment-friendly clothing.

Key Words: - Environmental Friendly Clothing, natural dyeing process, recycling, consumer attitude, eco-Label, organic cotton, reselling, eco-friendly, information credibility.

Objective

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Following are key objectives.

1. To analyze the environmental impact of textile and clothing across the supply chain.
2. To Identify emerging initiatives of environment-friendly clothing from the Indian context.
3. To conceptualize the definition of environment-friendly clothing in the Indian context.
4. To explore the level of consumer awareness and acceptability of environment-friendly clothing among manufacturers, retailers, and designers.
5. To suggest the suitable marketing recommendation for environment-friendly clothing for future research.

3. Problem Statement

The textile and fashion industry has a wide environmental impact related to pollution, water shortages, fossil fuel and raw material depletion and climate change. Fast fashion and vertically integrated supply chain in the industry has made available low-cost trendy clothing, thereby encouraging the consumption of clothing resulting in significant impacts on environment and society.

In supply side, various stakeholders in the textile industry have taken sustainable initiatives in areas like organic cotton farming, natural dyeing and implementing the eco-friendly dyeing process at various stages from pre-treatment to fabric finishing. However, there is lack research on the supply side aspect of environmentally friendly clothing, unified definition and supply-side constraints. The study aims to develop a unified definition of environment-friendly clothing, explore the environmental issue among suppliers, manufacturers, retailer, artisan and certifying agencies and provide recommendations for increasing availability and acceptability of environment-friendly clothing.

Methodology

It is an explorative study involving both secondary and primary research. An extensive literature review is done to develop the notion of environmental-friendly clothing and key initiative in this area.

135 stakeholder such as craftsmen, brands and garment manufacturer, a retailer of natural dyed and also, organic cotton clothes from Delhi NCR, Ludhiana and Jaipur region is approached to fill a semi-structured questionnaire. 70 completed responses were received. The convenient sample was used and the following is a profile of respondents.

Stakeholder detail	Business Format	No of respondents
Manufacturer domestic and/or export of natural dyed/block printing artisan	Factory shop and selling to domestic retailer M/s Anokhi, Fab India and local market etc.	10
Certifying agency of organic cotton	Global Organic Textile Standard (GOTS) is world's leading processing standard for textiles made from organic fibers	1
Handicraft and Handloom	Artisans involved in traditional crafts such as Bagh,	15

artisan	Kalamkari, Ikat, Dabu print, Chanderi and/or selling at Delhi Hut, Craft melas, and Museums	
Garment manufacturer/exported	Involved in production and/or export garments made from organic cotton	25
Brands/retailer	Brands/retailers involved in marketing of garments made from organic cotton, block-printing, and handloom/handicraft both online and offline formats	19

Literature review

Cost of environmental degradation in India

A report by World Bank (2009) estimated that the total cost of environmental degradation in India at about Rs. 3.75 trillion (the US \$ 80 billion) annually, equivalent to 5.7 percent of GDP in 2009, which is the reference year for most of the damage estimates. The report indicates that particle pollution from the burning of fossil fuel which is having major health consequences is amounting to up to 3% of GDP loss followed by losses due to lack of clean water supply, sanitation, hygiene and natural resources depletion. (Muthukumara, Mani, Sagar, & Sahin, 2012) (Roy, 2013).

In a global environmental performance index survey of 2014, India ranked 155 out of 178 counties on high-priority environmental issues. India fared poorly compared to neighboring countries such as Nepal, Pakistan and even ranked lowest among BRICs countries. (Angel, 2014).

According to *World health statistics (2016)*, an estimated 1.5 million people died from the effects of air pollution in 2012 in India. Globally, air pollution – indoor and outdoor – caused nearly 7 million deaths, or 11.6% of deaths in 2012, make it the world's largest single environmental health risk. (Chatterjee, 2016).

As per WHO 2016 estimates, 10 out of 20 most polluted sites are in India. (WHO, 2016)

Environmental impact of clothing and fashion industry

Indian textile industry contributes to 10% of manufacturing production, 2 % Indian GDP and to 13% of the country's export earnings. It employs over 45 million people directly. (Minsitry of Textile, 2017).

Indian textile industry produced 7300 million kg of fiber, 61 billion square meters of fabric and 5835 million kg of yarn in the year 2011-12 and per capita availability of cloth is 44 square meter. (Ministry of Textiles, 2012)

The clothing industry has environmental and social impacts along its entire value chain. There are two categories of such impact. Firstly, the impact on the environment is related to pollution and waste generation in production as well as in consumption. Secondly, the impact on the environment is through depletion natural resources both renewable and non-renewable one. (Hiller, 2014)

The production stage such as fiber growing and production, dyeing and printing, end of lifecycle disposal involves production and release of harmful chemicals like pesticides, heavy metal release in the air, water, and soil. Consumption stage creates solid wastes through the discarding of clothing, packing materials and water pollution concerned to the process of washing and dry cleaning of garments. (Hiller, 2014)

The second aspect of impact on the environment is through depletion natural resources both renewable and non-renewable one. In both stages of production and consumption natural resources such as water,

minerals, plants, and energy are consumed. Production process requires raw material that is obtained from petroleum products, for example, the raw material for polyester, nylon, and acrylic is obtained from petrochemicals. The necessary energy for manufacturing and usage stage necessitate the utilize fossil fuels such as coal, natural gas, and oil. (Hiller, 2014)

Environmental issues in the clothing industry are very complex because the supply chain is highly complicated and fermented. Most of the apparel companies rely on the external manufacturer, supplier and stockiest for raw material like fabric, trims and packing material. The production of raw material such as textiles involves various processes like Fibre production/manufacturing, spinning, weaving, dyeing, and printing. (Caniato, Caridi, Crippa, & Moretto, 2012) .

European Commission (2014) noted that the textile industry is characterized by one of the longest and most complicated industrial chains in the manufacturing industry, bringing into play actors from the agricultural, chemical fiber, textile, apparel, retail, services and waste treatment sectors. This fragmented and heterogeneous industry is dominated by small and medium enterprises. (European Commission, 2014).

(Dawson, 2011) Noted Downstream value chain issue regarding use, re-use, recycling, and disposal have not received the same level of attention but the large-scale potential for improvement can sometimes be found in the post –scale-life cycle stage.

For example, a study by Allwood, Laursen, Rodríguez, and Bocken (2006) indicated that energy consumption for use stage of T-Short is very dominating especially in washing. (Gunilla, Morgan, & Gregory, 2015, p. 345), (Allwood, Laursen, Rodríguez, & Bocken, 2006, p. 19)

The following five heading describe the issues related to the life cycle of textiles and clothing impacts (Blackburn, 2009, p. 6).

- 1) Water: Misappropriation and inappropriate use, excessive use and contamination.
- 2) Chemical Contamination: Profligate use of pesticides and herbicides in agriculture and of toxic chemicals in production.
- 3) Asset Stripping of non-renewable resources, including energy sources, undervaluation and no regulation
- 4) Waste. Too much is destroyed, System need to develop to recycle all non-renewable or compost renewable
- 5) Transport. Unnecessary demand caused by capitalist exploitation of cheap labor market makes this also unethical as well as increasing profligate use of non-renewable resources such as oil and the attendant pollution.

Environmental and health impact of cotton growing

The cotton growing accounts for estimated 25% of global insecticides consumption and 11% of the world's pesticide consumption. Also, production of 1 kg of cotton requires around 7000-29000literas of water.(Clay 2004) As cited by (Blackburn, 2009, p. 34,)

It is estimated that 4% of the world's total arable land is abandoned owing to former intensive cotton cultivation with soil salinization being the main reason. (Kooista and Termorshuizen, 2006 as cited by (Blackburn, 2009, p. 38)

Life-cycle energy consumption of garments

Collins & Aumônier (2002) noted that the life cycle extracted energy consumption for a three-pack of men's briefs is approximately 105 kWh, 81 % of which is associated with consumer care. The life cycle extracted energy consumption for a pair of trousers is approximately 200 kWh, 76% of which is associated with consumer care. (Collins & Aumônier, 2002)

E-commerce has been shown to provide a marginal energy benefit with regards to the life cycle burden of clothing. Transport of clothing by suppliers and manufacturers is an insignificant part of the clothing life cycle with regards to energy consumption. Though bulk transport is insignificant, it is interesting to note that transport by the customer is more energy intensive than all other transportation steps combined. (Collins & Aumônier, 2002)

Environmental and Health Impact of dyeing and wet processing.

Copper (1992) noted that the textile dyeing involves a number of different chemicals and auxiliaries to assist dyeing process. Some auxiliaries (e.g. dispersing agents, buffers, dedusting agents) that are already contained in dyestuff. Also, other auxiliaries are added during processing to aid the preparation, coloration and after washing processes. Following is summary of same. Copper 1992 as cited (Blackburn, 2009, p. 141)

Fibre	Dye –Class	Type of pollution
Cotton	Direct	1-Salt
		3-Unfixed dye (5-30%)
		5-Copper Salts, Cationic fixing agents
	Reactive	1-Salt, Alkali
		3-Unfixed dye (10-40%)
	Vat	1-Alkali, oxidizing agent
		2-Reducing agents
	Sulphur	1-Alkali, oxidizing agent
		2-Reducing agents
		3-Unfixed dye (20-40%)
Wool	Chrome	2-Organic acids
		5- Heavy metal salts
	1:2 metal complex dyes	2-Organic acids
		2-organic acids
		3-Unfixed dye (5-20%)
Polyester	Disperse	2-reducing agents, organic acids
		5-Carriers

1-Relatively harmless inorganic pollutants; 2. Readily biodegradable moderate high biological oxygen demand; 3- dyes and polymers difficult to degrade 4- difficult to biodegrade, moderate BOD; 5, unsuitable for conventional treatment, negligible BOD. Source- (Blackburn, 2009, p. 141)

Mapping Approaches toward “ Environment-friendly clothing”.

Miao-Ling Wang (2007) and Ottoman(1998) indicated the difference between conventional and green marketing. The objective of conventional marketing is to develop a product that meets customers need at affordable prices and then to communicate the benefits of that product in compelling ways. The objective of green marketing is first to develop a product that balances the customers' need for quality, performance, affordable pricing and convenience with minimal impact on the environment and the second object is to project an image of high quality related to both products attributes and its manufacturer track record for environmental achievement. (Wang, 2010) (Ottman, 1992)

According to (OCED, 2016) green products refers to the creation of manufactured products that use processes that minimize negative environmental impacts, conserve energy and natural resources, are safe for employees, communities, and consumers and are economically sound. A common definition used is "green is a moving target". (Ottman, 1992)

(Eryuruk, 2012) defined Green/environmental clothing as clothing created from resources that are environmentally friendly and sustainable while consideration is given to the product's total lifespan as well as its impact on the plant. Efficient management of obtaining green clothing requires considering all stages, starting from designing for the environment, obtaining raw material, producing a garment, distributing them to the channels, store and also considering their reverse logistics and waste pacts.

European Commission (SEC, 2009) defined the principles of environmentally sustainable design are as follows:

1. Low-impact materials: designing for use of non-toxic, sustainably-produced or recycled materials which require little or no natural resources (such as energy and water) to transport and process, and whose use does not threaten bio-diversity;
2. Resource efficiency: designing manufacturing processes, services, and products which consume as little natural resources as possible;
3. Quality and durability: creating longer-lasting and better-functioning products that last longer, or age in a manner that does not reduce the value of the product, reducing the impact of producing replacements;
4. Reuse, recycling, and renewability: designing products that can be reused, recycled or composted after initial use.

(Gurova & Morozova, 2016, p. 14) provided the empirical definition of sustainable fashion is as a fashion production which is locally embedded, slow in terms of production cycles, with a quantity of produced goods that corresponds to demand and without overproduction. It utilizes eco-friendly and qualitative materials, yet it is not cheap, the idea is to stimulate the prolonged use of the clothing.

Hethorn and Ulasewicz (2016) noted that sustainability in fashion means that there is no harm done to people or the planet and that a thing or process, once put into action, can enhance the well-being of the people who interact with it and the environment it is developed and used within. (Gurova & Morozova, 2016, p. 2)

The concept of sustainability was first adopted by World Commission on Environment and Development "Sustainability means the ability to satisfy current needs without compromising the ability to future generations to satisfy their own needs." (Caniato, Caridi, Crippa, & Moretto, 2012).

(Defra, 2008) noted that "Sustainable clothing is clothing that maximizes positive and minimizes negative environmental, social and economic impacts along its supply and value chain."

Findings and discussions

The explorative research is based on literature review and research results. The study aims at exploring the sustainability issues in the textile industry of both supply side like manufacturer, retailers and of the consumer.

Definition of environment-friendly clothing

Indian textile and garment industry is highly fragmented and not vertically integrated. The various stakeholders of textile and fashion industry do share uniform perception about "environment-friendly clothing". They do not have a clear idea of unified definition. The terms like eco, ethical and environment fashion are used interchangeably in both literature and industry. The table I describes the avenger score from respondent of the survey.

How is environment- friendliness is related to your business?	Average Score
Using Eco-friendly raw material like organic fiber and vegetable dyes	3.94
Progressive reduction in environmental impact of business	4.06
To utilize the materials that have minimum environmental impact like organic cotton, vegetable dye	3.82
Running the business ethically while contributing to society	4.27
To reduce the various types of wastes in business	4.18
To increase the life-span of garments by repairing, redesigning or co-design	3.82

5 point Likert scale (5- Strongly Agree, 1 – Strongly Disagree, 70 respondents

For the current study, the Environmental friendly clothing is the clothing that maximizes positives and minimizes negative environmental impact along its supply chain and value chains, such as garments from organic fabric, eco-friendly process, and design. These clothes are available from M/S Anokhi, Bhusattava, UV & W, no-nasties etc

One supply side, India is the world's biggest producer organic cotton, now five years straight. Some 74 percent of the world's organic cotton comes from India. From the literature review, it is found that a substantial amount of cloth, 127 Lacs meter per annum, the cloth is dyed with natural dyes and 675 tones of dyes are used annually in India. In the retail stores of Fabindia, Khadi, Indigreen, Anokhi, Bhu: Sattva clothes from vegetable dyes are sold. The author identifies important environmental friendly materials like organic cotton, and vegetable dyed, block printed fabric as a suitable option in the Indian context.

6.2 Environment- friendly raw material

The demand of fashion is seasonal and supply chain follows a mix of pull type as well as push type. While the pull-supply chain is common for organized retail, the push supply chain is common in the

unorganized sector. Since environment-friendly is reality newer concept in India, the supply chain is not fully mature. For example, The garment manufacturer is often constrained by lack of organic cotton yarn of specific thickness and count. There is an inconsistent supply of certified organic cotton due to lack of sufficient buffer and stockiest.

The survey identifies the key barrier in the supply of raw material as high prices, limited availability, time-consuming sourcing and inconsistent quality.

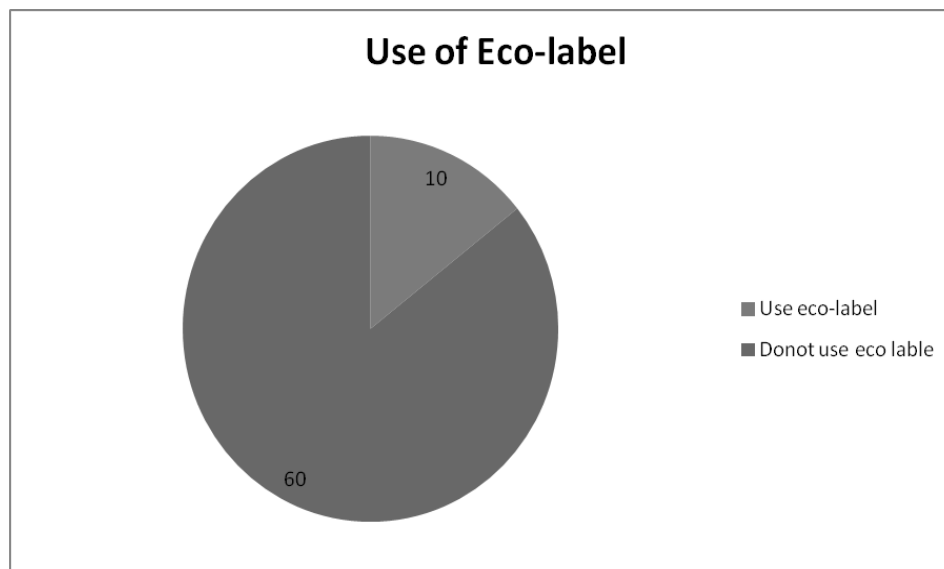
High price of raw material	4.12
Not available locally	4.12
Fibers are certified but certification is unclear	3.65
No demand from customer	3.88
Sourcing is time-consuming and pricy	4.06
Quality problem	3.08

5 point Likert scale (5- Strongly Agree, 1 – Strongly Disagree, 70 respondents)

Eco-certifications for Environment-friendly clothing

Eco-label is one of the ways for manufacturer and retailer to communicate the greenness of product to the consumer mind. Global organic textile standard (GOTS) and fair trade label are the labels used for cotton. While the natural dyes are tested the Eco-tex 100 standards. The testing and certification of products and process is a costly and time-consuming process. The consumer does not enjoy a stable perception about eco-label and is not well established in the market.

The author suggests that a low-cost, globally recognized and flexible scheme of eco-labeling scheme for entire life cycle of the product from extraction of raw materials, progressing through the stages of production, distribution and utilization and disposal after use should be developed.



Conclusion

The emerging concern among consumers about the environment, government litigation, media and NGO activism and impact of major ecological disasters on public opinion have led to various initiatives in textile and fashion industry such as organic cotton farming, natural and eco-friendly dyeing process etc.

However, Indian textile and garment industry is highly fragmented and not vertically integrated. The various stakeholders of textile and fashion industry do share uniform perception about “environment-friendly clothing”. They do not have a clear idea of unified definition. The author suggests following definition of “environment-friendly clothing”

Jain and Kaur (2004) noted that Indian consumers have high environmental concern and are willing to buy eco-products. However, they feel constrained in their efforts because of a dearth of such products in the market. (Jain & Kaur, 2004). Based on literature review and questionnaire survey author has identified clothes made from blended organic cotton and vegetable dyes as potential product options?

Blended Organic cotton

One supply side, India is the world's biggest producer organic cotton, now five years straight. Some 74 percent of the world's organic cotton comes from India. Blending a certain percentage of organic cotton with conventional cotton to make cloth provide an opportunity to overcome supply related issues of organic cotton.

Natural dyeing and/or hand block printing

From the literature review, it is found that a substantial amount of cloth, 127 Lacs meter per annum, the cloth is dyed with natural dyes and 675 tones of dyes are used annually in India. (Department of Scientific and Industrial Research, GOI, 2002).

In the retail stores of Fabindia, Khadi, Indigreen, Anokhi, Bhu: Sattva clothes from vegetable dyes are marketed.

Currently, retail stores have a product range of both men and women wear like Kurti, shirt, suits. Also, home furnishing ranges include bed sheets, pillow cover, curtain etc are available in retail store.

Recommendations and managerial implication

Previous studies have indicated that consumers might be willing to pay higher prices for “green” products but it is not a simple task to communicate the greenness of product to the consumer. The lack of consumer awareness about environmental friendly clothing is hampering the consumption. The consumer does have a stable perception about the greenness of products. For an instance, when competing for the “greenness” of cotton manufacturing versus polyester, the simplistic view taken by the average consumer may be that because cotton is a natural fiber, it is more environmentally responsible than the synthetic polyester, which is not necessarily correct (Hsiou-Lien Chen and Leslie Davis Burns, 2006).

Eco-label is one of the ways for manufacturer and retailer to communicate the greenness of product to the consumer mind. The author suggests that a low-cost, globally recognized and flexible scheme of the eco-labeling scheme for entire life cycle of the product from extraction of raw materials, progressing through the stages of production, distribution and utilization and disposal after use should be developed.

Secondly, organic theme based visual merchandising, floor plan and three dimension display depicting the environmental friendly clothing can help retailer communicate the greenness of the products.

Thirdly, the art and handicraft fair and trade fairs provide an opportunity to communicate the greenness of product to consumers by displaying miniature model for manufacturing process involved.

Annexure

What is environment- friendliness is related to your business?

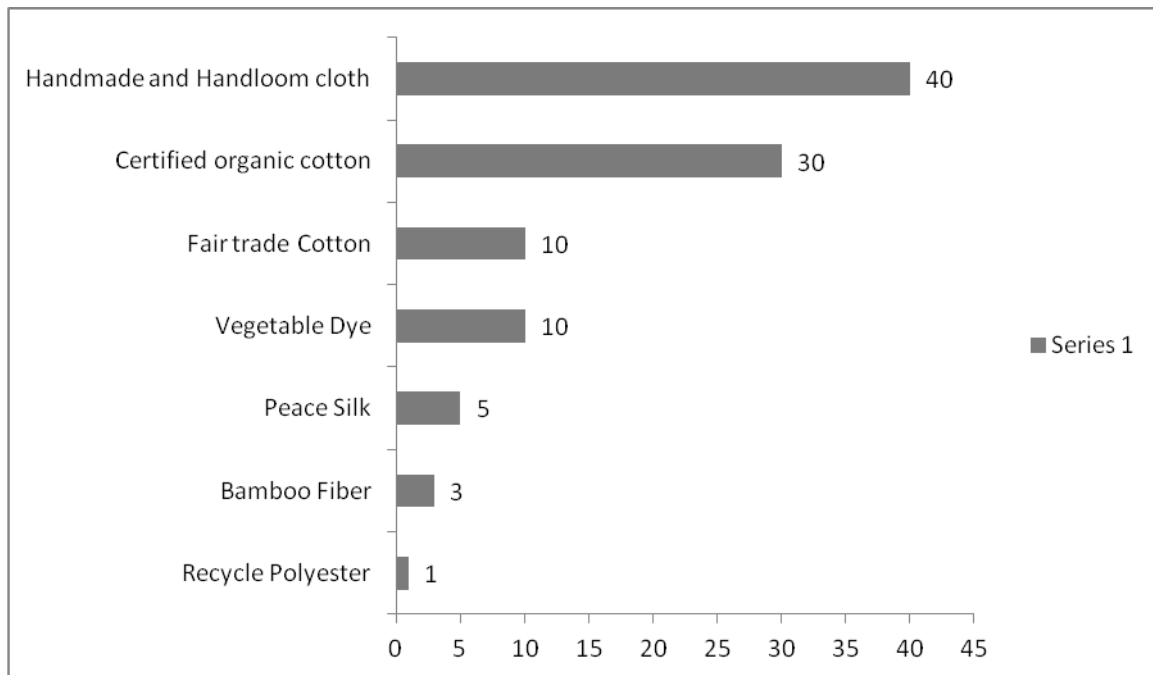
	Average Score
Using Eco-friendly raw material like organic fiber and vegetable dyes	3.941176
Progressive reduction in environmental impact of business	4.055556
To utilize the materials that have minimum environmental impact like organic cotton, vegetable dye	3.823529
Running the business ethically while contributing to society	4.277778
To reduce the various types of wastes in business	4.176471
To increase the life-span of garments by repairing, redesigning or co-design	3.823529

5 point Likert scale (5- Strongly Agree, 1 – Strongly Disagree, 70 respondents)

Q2 Are you aware of the benefits of Environmental Friendly Clothing Initiatives ? if yes, please specify.

(Yes-55, No--15)

1. It would help my product to be sold in an upcoming environmental segment of consumers.
2. My company will learn about new practices in the market.
3. I will get more orders.
4. Reduce cost and increase profits.
5. We are interested in exploring in new product segments.
6. Green is an upcoming trend.
7. It is good for the earth.
8. It is our traditional craft to print fabric with natural color and consumers are also interested.
9. Our product inherently consumes lesser energy and water.
10. Handloom and handmade products are creative and more variety are there.
11. The uniqueness of design is a market opportunity for handling and handmade clothes.
12. Increasing awareness about ethical clothing and Indian values have led to increasing demand for handmade products.

Q.3 Which of following material/s is/are used in your clothes?**Q4 Key barriers in sourcing of raw material**

What influence your choice environmental friendly material over conventional one.

Abundance in the market	4.12
Locally available	3.65
Price	3.88
Minimum environmental impact	4.06
Consumer demand	3.08

5 point Likert scale (5- Strongly Agree, 1 – Strongly Disagree, 70 respondents)

Q5:- Do you use any of eco-label? If not what are key biggest barrier in obtaining eco-labeling

Answer:- Yes-20, No -50

- Not aware about eco-label.
- Certification procedure is highly complicated.
- Complicated process and not fitting as per our modus operandi.
- We are small scale unit and do not have enough resources for eco-labeling.
- We need care labeling.

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METHODOLOGICAL APPROACH IN THE MARKETING OF GWALIOR AS A TOURISM DESTINATION IN CONTEMPORARY BUSINESS WORLD

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Gwalior which is midway between Agra and Khajuraho being two important and prime attractions for foreign tourists has not got what it deserved as a tourist destination in terms of tourist arrivals. The reason for such neglect has been mainly lack of proper infrastructure to attract tourists in Gwalior although it abounds in tourist attractions like old monuments such as man Mandir, Gwalior Fort, sas Bahu temple, Surajkund, Jain temple, Sun Temple, Moti Mahal, Gujari Mahal, Usha Kiran Palace and the outstanding museum with very rich collection of chandeliers, glassware and porcelain statues and sculptures known as jai Vilas Palace; places related to historical personalities like Rani Lakshmibai of Jhansi's Shaheed Sthal, Tomb of famous singer Tansen, Mohammed Ghaus and cenotaph of Scindias, Its intangible heritage includes the tradition of music to which Tansen belonged and which is still continuing as Gwalior Gharana. Various gardens and parks, the circular market place like Bada and of late its emergence as a centre of education as well as technical education in the form of Scindia School, Jiwaji University, Medical College, Engineering College, Iaxmibai national Institute of Physical Education, Agricultural College, IITTM and IIITM that has made it centre of excellence for learning, higher education and technical education to the present day.

However, if we look back at the glorious past of Gwalior it has always been a centre of learning as the scribe of famous Allahabad pillar inscription of Samudra Gupta named Hari Sena was from Gopanchal which was the ancient name of Gwalior. He was a great scholar in Sanskrit language and literature as is evident from the poetical narratives of the inscription.

Gwalior was the principal city during the Nagas in the early first and second centuries, AD as the capital city of the Nagas at Padmavati was not very far from Gwalior. The Nagas were worshippers of Lord Balram and perhaps Gopanchal or Gwalior was the region where Lord Balram had more prominence being the elder brother of Lord Krishna, The word Gopanchal means the region of Cowboys. This shows the mythological connection of Gwalior.

There are beautiful water bodies near Gwalior like Tigra and in the vicinity of Gwalior there are number of old temples which are unique in architecture like Mitaoli, Padavali, Batesar etc.

There is ample scope for rock climbing for the adventure tourists around Gwalior. For the wildlife lovers, there are varieties of places in and around like Madhav national Park, Shivpuri and Ghariyal Park in Chambal near Morena. The hillocks around Gwalior including the one at which Gwalior Fort is situated are ideal places for trekking and rock climbing. While Watersports can be enjoyed at Tigra dam.

Its carpet, blue pottery and stone craft provide ample shopping opportunities for the tourists. For the gastronomic lover Gwalior offers excellent dishes and sweets and its Gajak is very famous although the common name attached to it is Morena Gajak which is available mainly in Gwalior.

With all these attractions, still, due to lack of publicity and infrastructure, Gwalior is not getting its due share of tourism accordingly; the following stakeholders can play a significant role in promotion and marketing of Gwalior as a tourist destination.

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Role of State:

Since development of Tourism is primarily the responsibility of the State Government, Govt. Of Madhya Pradesh needs to promote Gwalior as a tourist attraction and develop necessary infrastructure like accommodation, transportation, roads, water supply, power, public utilities, guides and good tourist literature of international standard which could be distributed in major tourist fairs like ITB-Berlin, WTM-London, ATM-Dubai and PATA Travel marts in various countries in South East Asia, Gwalior has got lot to offer to the domestic tourists as such the existing facilities of accommodation need to be further augmented and strengthened for the consumption of domestic tourists. Budget accommodation may also be encouraged and liberal incentives could be provided to the industry for putting up infrastructure and effective partnership could be evolved between the public and private sector.

So far as the Central ministry of Tourism, its major contribution to Gwalior is establishment of Indian Institute of Tourism & travel management which is engaged in human Resource Development in Tourism & Travel sector and provides trained manpower for the Travel Industry for the entire country including Gwalior. Recently the Institute has started a 3 year BTM (hons) degree course as well as 2 years MBA course. The students passing out from there can fill up the increasing demand of trained manpower in Tourism & Hospitality sector in and around Gwalior.

Besides, Central Ministry of Tourism also provides financial assistance to state government on their various tourism projects particularly those which are on the travel circuit in the National action plan for Tourism 1992 which was presented in the Parliament by late Shri Madhav Rao Scindia, the then Minister of Tourism and Civil Aviation includes Gwalior, Shivpuri, Orchha and Khajuraho as one travel circuit and as such the State Govt. May submit and prioritise project proposals for infrastructure development in Gwalior for Central financial assistance. Besides, ministry of Civil Aviation may be requested to start operation of flights to Gwalior as in the past by Indian Airlines and other private airlines from Delhi and Mumbai. The expansion of existing Airport at Gwalior needs to be taken up on top priority for easy access of wide bodied aircrafts. They may also connect Mumbai to Khajuraho-Gwalior-Agra & Delhi by a hopping flight exclusively to operate during the tourist season both ways. The Indian Airlines flight to Varanasi may also be diverted via Gwalior and Khajuraho.

Role of Travel Trades:

Travel trade in general has promoted the Golden Triangle of North i.e. Delhi-Agra-Jaipur but they may also consider promoting the Golden Quadrangle of the West with Agra-Gwalior-Khajuraho –Mumbai. Travel Trade should encourage packaging of Gwalior-Shivpuri-Orchha & Khajuraho for the foreign tourists particularly the Spanish and French. In this regard they may also impress upon the Guide Federation to provide Spanish & French speaking Guides deputed for this circuit also from places like Agra or Delhi. If such a need occurs, IITM will certainly like to organize language training programmes for such language guides.

A large number of domestic tourists particularly the Jain are going for pilgrimage to Agra and Sheopur. They could also be motivated to come to Gwalior as it is also one of the Jain pilgrimage centres. Their itinerary could be re-routed through Khajuraho, Sonagiri, Shivpuri, Gwalior & Agra or vice-versa. Similarly, students and youth travel package could also be encouraged for learning and adventure experience at Gwalior, Travel Trade should collaborate with the State and Central Governments when they participate in international fairs or delegations are led by Ministry of Tourism to various countries. They should also

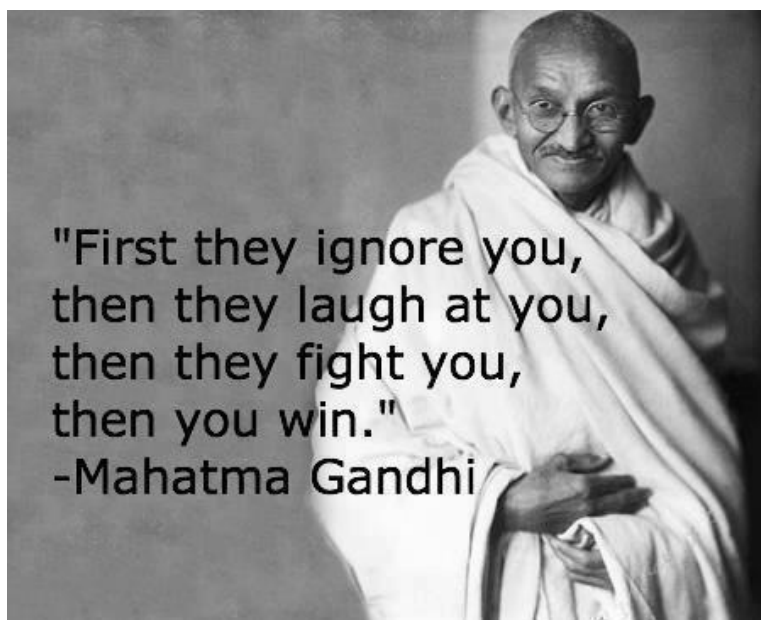
become a part of the delegation when State Govt. Organizes out of the State Tourism promotions for MP and try to sell their packages products in those States. In turn, State Govt. Should also encourage such initiatives by the Travel Trade by providing them incentives and concessions like relief in Rod Taxes, incentives for booking space within the State Govt. Pavilion etc. They should also form NGOs for development and promotion of various neglected areas on the travel circuit and also need to promote the importance of cleanliness and hygiene at the tourist places and impress upon local bodies to remove such irritants like garbage, stagnated water, choked drains etc.

Role of local community:

Since tourism is a civilization issue, local community of Gwalior need to take lead in cleaning and greening Gwalior. IITM has already taken up one such step in this direction by cleaning it's envioning within the campus. Now they are trying to carry the message of **"clean Gwalior Green Gwalior "** to every nook and corner of Gwalior by organizing Shramdaan, plantation and other activities related to carrying the message of importance of hygiene and environmental protection, the local community should also develop some important fairs and festivals like Gwalior Trade Fair into a Tourism Fair by inviting Travel Trade and Hoteliers along with Restaurants to participate in these fairs and sell their products in a big way. Locals should also encourage their relatives and friends from other cities and States to visit Gwalior during these fairs. All the educational institutions should form a body and promote Gwalior as centre of education and technical education.

Role of Media:

Media is the major stakeholder who can build or ruin the image of any particular destination. Media in Gwalior both Electronic and print is very active and by projecting Gwalior as an affordable attractive and safe tourist destination by media can do wonders both for domestic as well as foreign tourists.



IMPACT OF BRAND IMAGE AND WORD OF MOUTH ON CUSTOMERS' SATISFACTION: A STUDY OF PATANJALI AYURVEDIC PRODUCTS

Urvashi Dubey¹, Dr. Umesh Holani²

ABSTRACT

Ayurveda or Ayurvedic medicine is the traditional holistic medical system in India. Natural scientists and Ancient seers developed this system based on centuries of experiments, studies, and meditations. Word Ayurveda is formed by "ayus" meaning life and "Veda" meaning knowledge. Ayurveda is about knowing more about life. It tells about happy and sad life, good and bad life and what is good for healthy and happy life. History of Ayurveda can be traced way back to the evolution of the civilization. Herbal is "a collection of descriptions of plants put together for medicinal purposes." This study is aimed to check the impact of brand image and word of mouth on customers' satisfaction and to fulfill the objective regression test is applied

Key Words: Brand image, Word of mouth, Customers satisfaction, Ayurveda, Patanjali.

INTRODUCTION:

Patanjali Ayurved started in 2007 and has benefited from close association with well-known yoga guru Baba Ramdev. The company is different from a typical business and the stated philosophy is to plough back profits into the company or to be used for social causes. The idea is to be present in as many categories as possible in order to give consumers more choices, and profits are to be reinvested in innovation and capacity expansion so pricing can be made more competitive. The firm, in fact, has priced its product at a significant discount to others in a number of categories, which is helping drive sales. Patanjali is also said to be benefiting from a shift in consumer preferences towards herbal and ayurvedic products which are considered to be closer to nature. It has also positioned itself as a swadeshi brand, which has an appeal among a category of consumers.

Literature Review:

- 1) Pinki Rani(2014) in his paper he find out that consumer Buying Behaviour refers to the buying behaviour of the ultimate consumer. Many factors, specificities and characteristics influence the individual in what he is and the consumer in his decision making process, shopping habits, purchasing behavior, the brands he buys or the retailers he goes. A purchase decision is the result of each and every one of these factors. An individual and a consumer is led by his culture, his subculture, his social class, his membership groups, his family, his personality, his psychological factors, etc.. and is influenced by cultural trends as well as his social and societal environment.
- 2) Priyanka Singh, Neha Katiyar, Gaurav Verma (2014) All store atmospheric factors, have significant impact on customer approach behaviors. Ordering from high to low according to the extent of impact, the factors are design factors, intangible factors, image of service personnel, visual stimulus and image of other customers. This reveals that the design factor of a store is the biggest

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environment factor that impacts customer approach behaviors; its power of influence and interpretation are significantly higher than other factors. Customers pay special attention to the designing in a store, including whether the layout and overall structure is reasonable, how is the interior decoration, whether the signs and marks are clear, whether the display of commodities in corridor space, commodity information and classification is complete and convenient.

- 3) Blackwell, Miniard, and Engel(2006) in there paper they mentioned that consumer buying behavior is influenced by two major factors. These factors are individual and environmental. The major categories of individual factors affecting consumer behavior are demographics, consumer Knowledge, perception, learning, motivation, personality, beliefs, attitudes and life styles. The second category of factors is environmental factors. Environmental factors represent those items outside of the individual that affect individual consumer's decision making process. These factors include culture, social class, reference group, family and household. The above mentioned factors are the major determinants behind the decision of consumers to opt a given good or service.
- 4) Johnson and Stewart(2005) in his approach uses the affective dimensions of valence and level of arousal to distinguish between emotions and the effects they have on consumer behaviour. the cognitive appraisals approach has used emotions' underlying motivational and evaluative roots to explain their influences on consumption related behaviours. This approach supposes that underlying evaluations of a situation (e.g. its desirability, certainty,etc.) combine to elicit specific emotions.
- 5) Michael R.Solomon, & Nancy J.Rabolt (2004), consumer behaviour is the study of the processes involved when individuals or groups, select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires.
- 6) Hawkins(2003) The human behaviour is complex, replete with controversies and contradictions and comes as no surprise to marketing academicians as well as practioners. There is a widespread recognition that consumer behaviour is the key to contemporary marketing success.
- 7) Vikas Saraf (2003) in his study opined that, brands are successful because the people prefer them to ordinary products. In addition to the psychological factors, brands give consumers the means whereby they can make choice and judgment. Customers can rely on chosen brands to guarantee standard quality and services. People believe that the brand itself is something that changes consumer behavior.
- 8) Jones A. Michael et al (2003), Journal of Business Research ,56,pp 505-511,They studied the Product Specific Nature of Impulse Buying Tendency, and they concluded that consumers have changed and that the most notable change is in their patronage of food retail outlets other than supermarkets.

Objective of the Study:

- To analyze the impact of brand image and word of mouth on customers' satisfaction.
- To open new avenues for further research.

Hypothesis of the Study:

H₀: There is no significant impact of brand image and word of mouth on customers' satisfaction

Research Methodology:

The study was exploratory in nature and surveys were used to complete it. It was aimed to find out the impact of brand image and word of mouth on customers' satisfaction. The study is done to analyze the relationship in Indian context. Questionnaire survey method is applied to take the responses from respondents. Population was male and female of India. Sampling Frame was male and female of Gwalior Region. Individual respondent was the sampling element. Sample size was 200 individuals. To draw the sample non probability purposive Sampling was used. For the purpose of data collection, a self-designed questionnaire was utilized. The measure was Likert-type 1 To 5 Scale, where 1 indicates the minimum agreement & 5 indicates maximum agreement.

Tools used for data analysis were:

- Reliability test was applied to check the reliability of the questionnaire with the help of Cronbach's Alpha.
- Linear regression test was applied to check the impact of brand image and word of mouth on customers' satisfaction.

Discussion/Interpretations of Results:

Reliability and Validity:

Cronbach's Alpha method has been applied to calculate reliability of all items in the questionnaire. Reliability test using SPSS software and the reliability test measure is given below:

Variable's Name	Cronbach's Alpha	N of Items
Customers Satisfaction	.794	17
Brand Image	.703	08
Word of Mouth	.721	07

All the computed reliability values are greater than 0.7 thus, the measure is considered reliable. And validity was checked through face validity and found to be very high.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.724 ^a	.725	.724	4.46538	1.598

a. Predictors: (Constant), Brand image, Word of mouth

b. Dependent Variable: Customer satisfaction

This table provides the R and R² value. The R Value is .724, which represents the good correlations among variables. It indicates a high degree of correlation.

Adjusted R Square indicate how much of the dependent variable, "Customer satisfaction", is explained by the independent variable, "Brand image and Word of mouth", is .724, which is 72.4 % very large.

ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10889.766	2	3629.922	182.046	.000 ^b
	Residual	9890.034	497	19.940		
	Total	20779.800	499			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Brand image, Word of mouth

Coefficients^a

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.675	1.038		8.355	.000
	Word of mouth	.961	.088	.396	10.862	.000
	Brand image	.460	.101	.166	4.556	.000

Dependent Variable: Customer satisfaction

This table indicate that the regression model predict that the outcome variable significantly well. Here $P < 0.05$ and indicates that, overall, the model applied is statistically significantly predict the outcome variable. The P Value (.000) < Standard value 0.05, hence we can say that H_0 is rejected. So there is a significant impact of brand image and word of mouth on customers' satisfaction.

Conclusion:

The study was conducted to determine the impact of brand image and word of mouth on customers' satisfaction. The standardized questionnaires were analyzed to know the major impact on customer satisfaction. The regression analysis test was applied to know the impact of brand image and word of mouth on customers' satisfaction and it was come significantly good fit.

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A STUDY ON IMPACT OF GOODS AND SERVICE TAX ON IMPORT AND EXPORTS IN INDIA

Mohd Rafee¹, Anil Kumar²

ABSTRACT

GST is been postponed by our Hon'ble Finance Minister, however it is still a constant matter of worry for importers and exporters in Indian continent. Through this article, I try to analyze and present before you an analysis on impact of GST on imports and exports in Indian market.

Key Words: GST, Import, Exports.

Introduction

Under the GST regime, Article 269 A constitutionally mandates that the supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce for levy of integrated tax. So import of goods or services will be treated as deemed inter-State supplies and would be subject to Integrated tax. While IGST on import of services would be leviable under the IGST Act, the levy of the IGST on import of goods would be levied under the Customs Act, 1962 read with the Custom Tariff Act, 1975. The importer of services will have to pay tax on reverse charge basis. However, in respect of import of online information and database access or retrieval services (OIDAR) by unregistered, non-taxable recipients, the supplier located outside India shall be responsible for payment of taxes. Either the supplier will have to take registration or will have to appoint a person in India for payment of taxes. Supply of goods or services or both to a Special Economic Zone developer or a unit shall be treated as inter-State supply and shall be subject to levy of integrated tax.

Import

The GST could be levied on imports only after necessary Constitutional Amendments as currently power to levy GST on imported goods is non-existent in Constitution of India. International imports should be subject to both CGST and SGST at the time of importation irrespective of whether or not the imported goods are produced domestically. The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available on the CGST and SGST paid on imported goods and services. India has also entered into a large number of free trade agreements under which it will, in general, not be possible for India to use customs duty as a means to providing protection/level playing field. Efforts are made to treat foreign goods on the same footing, as they are domestic goods. Earlier benefits of lower or no custom duties were given to importers who use such imported goods in manufacture of export goods, such benefits may not be continued in new legislature of GST and GST would continue to be same even though goods are

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imported for re exportation. The 'flawless' GST will ensure this by subjecting the imports to both CGST and SGST. This will provide a level playing field to the domestic industry and, in particular, the manufacturing sector vis-à-vis imports. GST legislature would be drafted on destination based principle thereby:

A. SGST on Business to Business imports should be collected and remitted to the state (i.e. place of destination) in which the imports is located regardless of the fact from where the goods entered the country. However, the place of destination may be defined to mean the address of the importer on the import invoice; and

B. SGST on Business to Consumer imports should be collected and remitted to the state in which the place of residence of the person importing the goods is located regardless of the fact from where the goods entered the country.

Import taxes that would carry on

Even after introduction of GST following duties may not be subsumed under GST regime and they may continue to be levied as usual.

These duties are: A. Basic Customs Duty B. Anti-Dumping Duty C. Safeguard Duties

After the introduction of full and complete GST major import gaining sectors include leather and leather products; furniture and fixtures; agricultural sectors; coal and lignite; agricultural machinery; industrial machinery; other machinery; iron and steel; railway transport equipment; printing and publishing; and tobacco products. The moderate gainers include metal products; non-ferrous metals; and transport equipment other than railways. Imports are expected to decline in textiles and readymade garments; minerals other than coal, crude petroleum, gas and iron ore; and beverages.

Broad scheme of taxation of imports in GST

As per provisions of the IGST Act import of goods into India shall be deemed to be a supply in the course of inter-State trade or commerce. It has also been provided that Integrated Tax on goods imported into India shall be levied and collected in accordance with the provisions of Section 3 of the Customs Tariff Act, 1975 at the point when duties of Customs are levied on the said goods under the Customs Act, 1962, on a value as determined under the Customs Tariff Act, 1975.

The Taxation Laws (Amendment) Act, 2017 provides that IGST on imports will be levied at value of imported article as determined under the Customs Act plus duty of customs and any other sum chargeable in addition to customs duty (excluding GST and GST Cess). This in effect makes levy of IGST at par with present levy of CVD which is on basic value plus customs duty. As per the definition of 'supply' under CGST Act, import of services for a consideration whether or not in the course or furtherance of business is deemed to be supply and as per the IGST Act, supply of services in the course of import into the territory of India, shall be deemed as supply of services in the course of interState trade or commerce. Accordingly, Integrated Tax would be levied on import of services. The Integrated Tax on import of services would be payable by the recipient under reverse charge. Further, there would be no change in applicability of countervailing duty levied under section 9BB of the Customs Tariff Act, 1975 (and different from the additional duty of Customs levied under section 3, *ibid.*, also known as CVD), anti-dumping or safeguard duties, where ever imposed by the Government.

Treatment of supplies to and by SEZ units/SEZ developers

As per the IGST Act, supplies of goods and services to or by Special Economic Zone (SEZ) units or SEZ developers will be treated as inter-State supplies. As per the SEZ Act, supply of goods from SEZs are treated as import of goods into India. Accordingly Basic Customs Duty (BCD) & Integrated GST will be levied on such supplies from SEZ units and SEZ developers into DTA. Supplies of goods and/or services to SEZ units or SEZ developers are to be treated as “zero rated supplies” and the SEZ developer or SEZ unit receiving such zero rated supplies will be given similar treatment as exports (please refer next question for details). Proviso to rule 8(1) of the CGST Rules makes it mandatory for SEZ unit (s) or SEZ developer to obtain separate registration as a business vertical distinct from its other units located outside the SEZ.

How Import Duties are Charged in case of Imports of Goods in the current scenario:-

Let us assume UR Nutrition in Delhi purchases Supplement from a supplier Optimum Nutrition in Sydney Australia. In this case the taxes will be calculated as follows:-

Specifications	Quantity	Cost per item (Rs)	Amount
Whey Protein	200	2500 (51.58 AUD)	5,00,000
Creatine	100	5000 (103.37 AED)	5,00,000
Total	300		1,00,0000
Custom Duty@10%			1,00,000
Custom Education cess 3% on Custom Duty			3,000
Sub Total			11,03,000
CVD@12.5%			13,7875
Sub Total			12,40,875
SAD@4%			49,635
Total Cost of Import			12,90,510

1. Export

GST would be structured on the destination principle; as a result, exports would be relieved of the burden of GST by zero rating. Zero-rating of exports means that when goods are exported, no VAT is

charged on the goods . At the same time, VAT paid on the inputs is also refunded. So the goods exported are shorn of all taxes. The countries, which have, VAT usually resort to zero-rating of exports.

Export taxes that would carry on

Even after introduction of GST, Export duty might not be subsumed under GST regime

Treatment of exports under GST

As per the provisions of IGST Act, export of goods and/or services are to be treated as “zero rated supplies” and a registered taxable person exporting goods or services shall be eligible to claim refund under one of the following two options:

1. Export under bond or letter of undertaking without payment of Integrated Tax and claim refund of unutilized input tax credit.
2. Export on payment of Integrated Tax and claim refund of the tax so paid on goods and services exported. The aforesaid refunds will be subject to prescribed rules, safeguards and procedures

SEZ

GST is designed to ensure that all producers and distributors are treated as complete passthrough and exports are zero-rated, thereby no direct exemption may be allowed to the developers of, or units in, the SEZ. However, the purposes of setting up of SEZ was to encourage production of goods which are to be exported out of India, thereby even after withdrawing this direct benefit, units in SEZ would continue to enjoy exemption in respect of goods or services exported by it. Any sale by SEZ to Domestic Tariff Area (i.e. within India) would be taxable, as other goods and services are taxed in India. Present law with regard to exemption of SEZ is almost similar, only change would be that technical jargons and complexities are removed.

Foreign trade policy

Presently in India, exemption schemes are available under the Foreign Trade Policy 2009-2014 and also under the relevant central excise and customs legislation. Though, there is some discussion in the government prepared documents (with respect to GST) on exemption currently available under the excise and custom legislation. Howsoever the doom of the exemption schemes currently under the Foreign Trade Policy has not been discussed at all in these documents. It will be interesting to ascertain the continued relevance of various schemes (under the Foreign Trade Policy) under the proposed GST. The current incentives can be classified into (a) Pre-export schemes (e.g. advance authorization, EPCG etc); (b) Post-export schemes (for example DEPB, SFIS, etc); and (c) Industry specific schemes (for example EOU, STP, etc.). The incentives under these schemes are mostly by way of exemptions with parallel notifications under relevant legislations (customs and excise). It is most likely expected that no such notifications would be imported into GST legislation. Applying this logic to the export schemes, it will not be erroneous to assume that its validity under GST may get limited to the extent of basic customs duty only.

Export of Services Under GST Regime

Following are the particular conditions have been set down for a supply to be viewed as an export of service under GST:-

- Supplier of the Service is located in India
- Recipient of the Service is located outside India
- Place of supply of the service is outside India
- Payment for the service has been received by the supplier in convertible foreign exchange
- Supplier and Recipient are not establishment of the same individual

Let us assume Sharma Consultancy in Delhi provides business consultancy services to Mary Techpower in Hongkong. So the payment will be received in Hongkong currency. Here the supplier location is Delhi and the location of the recipient is HongKong. The place of supply will be the location of the recipient that will be HongKong and the payment received will be in Singapore Dollars. Since the supplier and the recipient are different individuals, hence this supply qualifies as export of service and the rate of tax on the supply will be 0%.

Fate of export promotion schemes like Advance License, EPCG in GST

After 1st July 2017, the benefits under Advance authorization scheme, Export Promotion Capital Goods (EPCG) scheme, duty credit scrips such as Merchandise Exports from India Scheme (MEIS) & Service Exports from India Scheme (SEIS) shall be restricted only to Basic Customs Duty, Safeguard Duty, Transitional Product Specific Safeguard Duty and Anti-dumping Duty in respect of goods leviable to IGST. For items specified in Fourth Schedule to the Central Excise Act, 1944 (specified petroleum products, tobacco etc.) exemption from Additional Duty leviable under Sections 3(1), 3(3) and 3(5) of the Customs Tariff Act, 1975 shall be available.

Examples of supplies outside India which do not constitute export of goods or services

- a. Supply of service to a person located outside India where place of supply of service is in India. For example - a property rented out in Mumbai to a person residing in Dubai; agent located in India providing service to a New York based exporter for selling goods to China.
- b. Supply of services where consideration is received in Indian currency or a currency other than convertible currency. For example supply of consultancy service by an Indian consulting firm to an overseas entity, payment for which is made in Indian rupees by Indian branch of overseas entity.
- c. Provision of service by an Indian entity to a branch or office of the same entity located overseas.

Refunds of taxes on exports and deemed exports be claimed

In case of refund of tax on inputs used in exports:

- Refund of 90% will be granted provisionally within seven days of acknowledgment of application in Form GST RFD – 01.
- Remaining 10% will be paid within a maximum period of 60 days from the date of receipt of application complete in all respects.
- Interest @ 6% is payable if full refund is not granted within 60 days.

In the case of refund of IGST paid on exports, the shipping bill filed with the Customs is treated as an application for refund and shall be deemed to have been filed after submission of export general manifest and furnishing of a valid return in Form GSTR-3 by the applicant. The Customs shall process the claim for refund and an amount equal to the IGST paid in respect of each shipping bill shall be credited to the bank account of exporter.

Tax treatment of export of goods and services to Nepal and Bhutan

In terms of para 2.52 of the Indian Foreign Trade Policy (2015-2020) exports proceeds from Nepal and Bhutan can be realized in Indian rupees. Despite receipt of export proceeds in India, rupee exports of goods to Nepal and Bhutan will be treated at par with export to any other country as definition of 'export of goods' under IGST ACT attaches no condition other than 'taking goods out of India to a place outside India'. However in case of export of services, in case export proceeds are received in Indian rupees, it will not qualify as 'export' as the definition of 'export of services' mandates receipt of payment in 'convertible foreign exchange'.

Conclusion

Tax treatment of export of goods and services to Nepal and Bhutan In terms of para 2.52 of the Indian Foreign Trade Policy (2015-2020) exports proceeds from Nepal and Bhutan can be realized in Indian rupees. Despite receipt of export proceeds in India, rupee exports of goods to Nepal and Bhutan will be treated at par with export to any other country as definition of 'export of goods' under IGST ACT attaches no condition other than 'taking goods out of India to a place outside India'. However in case of export of services, in case export proceeds are received in Indian rupees, it will not qualify as 'export' as the definition of 'export of services' mandates receipt of payment in 'convertible foreign exchange'.

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ANALYSIS OF IMPACT OF GST ON VARIOUS SECTORS OF INDIAN ECONOMY

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ABSTRACT

This article presents impact of GST on various sectors like: Manufacturing, Real Estate, Banking, Pharma and Retail. This is a survey analysis report in this paper can be used for future research purpose.

1. Introduction:

India's looming the new regime of Goods & Service Tax ("GST"), a modern tax reform which will usher in growth and opportunities for businesses in India. It is a tax trigger, which will lead to business transformation for the industry. It will have a far-reaching impact on business avenues, compelling organizations to realign bottlenecks such as production cost, production time, supply chain, compliance, logistics etc. with changing indirect tax structure.

GST is a value added tax where tax is imposed only on the value added at each stage in the supply chain. It is levied at all points in the supply chain. Credit is paid for acquiring inputs used in making the supply. In India GST is defined as "tax on supply of goods or services other than alcohol for human consumption". In simple language, GST is a single tax on all goods and services in the entire economy. GST can make the indirect tax system very efficient and will benefit all stakeholders including manufacturers, sellers, the ultimate consumers and the tax collecting governments apart from giving a substantial boost to GDP growth. GST will turn India into one common market, leading to greater ease of doing business and big savings in logistics costs from companies across all sectors.

GST may not have a uniform impact on all sectors, given their varying taxation structures. Some companies will gain more as the GST rate will be lower than the current tax rates they pay, others will lose as the rate will be higher than the present effective rate. The GST council has approved the rates of taxes on goods and services in its 14th council meet held on May 18, 2017. The rates of individual commodities were taken up for consideration in the four approved slab rates i.e. 5%, 12%, 18% and 28% with additional cess for demerit and luxury goods. In the 14th meeting of the Council, about 60% of the items will be in either the 12% or 18% tax brackets. Only 19% of the items will be in the 28% slab, the highest rate. Among all, the logistics sector, comprising inbound and outbound segments of manufacturing and services supply chains, is likely to get the much-needed boost. However, all major business dynamics will have to be thoroughly analyzed to assess the impact of GST on businesses.

2. Impact of GST on Various sectors of Indian Economy

Here's a brief look at how the GST might impact various sectors of the economy:

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2.1 Manufacturing

The manufacturing sector in India is not only plagued with concerns ranging from decline in exports and infrastructure spending but also with the burden of complying with a complex indirect taxation system. Multiple indirect tax legislations have led to significant compliance and administrative costs, classification and valuation disputes and generally impaired the ease of doing business in this sector. The implementation of GST will significantly improve the competitiveness and performance of India's manufacturing sector. For most industrial products, GST rates have been slated at 18%. Today a manufacturer pays about 28-30% as taxes, so this means an average saving of around 10%. GST will affect the manufacturing sector in the following ways: State Incentives & Area based incentives presently; companies have set up their manufacturing units with significant investment outlays based on incentives offered by states under their respective investment promotion policies. However, under the GST regime, such flexibility given to the states is likely to be curtailed to achieve the intended effect of uniformity. Further, GST will only be credited to the state where the supplies are consumed, as opposed to the present situation where the producer state is credited with central sales tax on interstate sales. This would lead to a loss of revenue for the producer states and therefore such states may not be in a financial position to continue offering such incentives. In addition to above, manufacturing units enjoy exemption of taxes based on their location in specified backward areas, capital investment etc. There is no clarity under the GST on the treatment of such area based exemptions resulting in loss of unutilized portion of such incentives.

Increased working capital Impact on working capital may be significant for the manufacturing sector. Currently, stock transfers are not subject to tax. However, under the GST regime, stock transfers are deemed to be supplies and are subject to GST. Though GST paid at this stage would be available as credit, realization of this GST would only occur when the final supply is concluded. This would likely result in cash flow blockages and therefore companies would have to rethink their supply chain management strategies to minimize this impact on their cash flows. Free supplies & Discounts Under the present indirect tax regime, free supply of goods is not subject to VAT. GST law stipulates that specific transactions without consideration would also be treated as supplies. Accordingly, free samples may be subject to GST, leading to increase in overall costs. Since GST law stipulates that post supply discounts are to be excluded from the transaction value, provided such discounts are known at or before the time of supply of goods and are linked to the invoices for such supply. Thus, companies may also need to analyze existing post supply discounts/incentive schemes where the quantum of discount is not known at the supply stage. Supply chain restructuring Currently, the supply and distribution models are structured to optimize indirect tax impact arising at various levels of value addition. Transition to GST will result in such decisions being taken to optimize business efficiency (as opposed to indirect tax efficiency). Currently, firms spend a high 5-8% as product distribution and warehousing cost. GST would lead to lower transportation and distribution costs. With the advent of GST, it is hoped that such warehousing and logistics decision would be based on economic efficiency such as costs and locational advantages vis-a-vis key customers. Also with overall reduction of cascading effect of taxes, especially on the post-manufacture stage of the supply chain, manufacturing sector stands to benefit significantly and have a positive effect on the cost of manufactured products in the hands of consumers. However, concerns remain on specific issues such as the additional 1% origin tax, increased cash flow issues on account of GST payable on stock transfers and increased costs owing to exclusion of petroleum fuels from the ambit of GST. Yet the lower taxes, simplified tax structure, seamless tax credit facility and technology driven easy tax compliance system offered by GST provide an ideal platform to increase manufacturing's share of GDP from the current 17.4% to 25% by 2025.

2.2 Real Estate

Indian real estate sector is estimated to account for about 5% of India's gross domestic product and is considered the second-largest employer in the country. Real estate sector is already subject to multiple taxation, the implementation of GST is theoretically expected to help the consumers and builders.

The GST regime will be a game changer for real estate sector and the 12% GST on construction projects meant for sale to buyers will boost the sector. Ambit of GST under real estate is likely to result in more transparency, which will significantly reduce tax evasion through more efficient transaction-tracking methods and improved enforcement and compliance. Since GST may be levied on a single value, the current issue of levying tax on tax (VAT on central excise duty) is likely to be removed. Transfer of (completed) properties may continue to be outside the purview of GST and be liable only to applicable stamp duties. However, on procurement of materials for civil construction, GST will be applicable.

At present, developers pay various non-creditable taxes on supplies like excise duty, customs duty, CST, entry tax etc. on the procurement side, and the buyers pay service tax and VAT on purchase of residential units when booked prior to their completion. GST will replace these multiple taxes with a single tax and all the developers will get the input credit on the material they are using in construction, thus ensuring a smooth flow of credits through the chain which in turn will reduce costs for all players.

Also, the present tax laws provides an abatement of 75% on service tax to be paid for property valuing less than one crore, whereas properties valuing more than one crore allows only 70% of abatement resulting in a pay out of service tax at the rate of 4.50%. In addition to above, applicability of VAT & stamp duty is also there. However, abatements will be removed and stamp duty will continue under GST, increasing the overall tax liability. Affordable housing will continue to be exempted from service tax under GST. The heavily taxed real estate sector welcomes a single stable 12% GST rate, inclusive of the value of land and with full input tax credits.

Thus, the actual tax incidence under GST will be lower than the existing multiple indirect taxes on the sector. Also, the GST rate for work contracts will also be offset by input credits thereby providing a seamless and simplified tax policy. The implementation of GST will broadly benefit real estate sector by ensuring a uniform tax structure and improve tax compliance by developers. It looks at bringing in greater transparency for the sector and may minimize unscrupulous transactions. GST will have a cascading effect for the home buyers, as developers with more margins in their hands will be able to restructure the cost of the products in favour of consumers thereby reducing the property prices.

2.3 Banking

Banks have always been a huge pillar of the Indian economy and taxpayers are literally banking on them for financial needs. In India, most of the banking and financial services are exposed to service tax, at the rate of 15%. Under the new tax regime, GST rate for financial services transactions, such as banking, mutual funds, insurance and stock broking has been increased to 18% from 15% earlier. Thus, financial services transactions to become marginally costlier.

GST applies to all services wherein there is a supply of services for consideration. So, in banking transactions such as credit card payments, fund transfer, ATM transactions, processing fees on loans etc., where the banks are levying charges, increased tax rates would apply. This would have a slight inflationary

impact. Also, Interest on loans, trading in securities, foreign currency and retail services will also fall within the ambit of GST.

Thus, it appears that imposing GST on banking and financial services will make the financial services costly. However, interest on fixed deposits, bank account deposits etc. which do not attract a charge will remain so even under the new regime.

Since GST is a destination-based tax, it might be a challenge to determine the destination of certain services (at present, services are taxed at the place of rendering the service). This may lead to a difficulty in determining state GST, central GST or inter-state GST on B2B and B2C transactions.

2.4 Pharmaceuticals

The Indian pharmaceutical industry is the principal supplier of generic drugs all over the world, with 80% of all AIDS drugs produced in India. The UN has provided licenses to six Indian pharmaceutical labs to make generic anti-AIDS medicine for all the developing nations. Indian pharmaceutical companies manufacture 20% of all generic drugs used around the world.

GST in India is likely to have a far-reaching impact on several aspects of business including pricing of products and services, supply chain, IT systems, accounting, tax compliance framework & re-skilling of talent. The pharmaceutical industry was hoping the GST rate on life-saving drugs would be zero, even as it has been capped at 5% and that of all other formulations at 12%. The rates in the GST regime are slightly higher than what prevail now. In the GST regime, essential drugs that treat malaria, HIV-AIDS, tuberculosis, and diabetes fall in the 5% bracket. Almost all other drugs are in the 12% net. Nicotine polacrilex gum is the only pharmaceutical product to be charged at the rate of 18%. Cipla, the brand which produces nicotine gums, will probably be impacted from the rate fixed at 18%. More than the tax rate, the bigger worry for the companies is the disruption the new tax regime will bring. Medicines to be get costlier as active pharmaceutical ingredient, or raw materials, will be taxed at 18%. Distributors and stockists are upset at the loss they might have to incur with the increase in the effective tax rate. The effective tax rate on formulations, now 9%, has been increased to 12% and trader margins have been built into the tax rate.

Under the current tax laws on pharmaceutical products, in many states VAT is on maximum retail price, which is on a single point. Due to this, the distribution channel does not pay VAT. Thus, for them paying tax under GST coupled with three returns a month is a humongous task. Earlier, ayurvedic drugs or medicines were charged an average VAT of 4% and excise of 1.5% due to the excise free manufacturing zone benefit. Under GST, ayurvedic medicines could get costlier as they would be taxed at the rate of 12%.

No clarification has been provided by the government on the issue of manufacturers operating in excise-free manufacturing zones paying more tax under GST. Most of these manufacturers are competitive in the pharmaceutical industry is due to the excise benefit as they are situated in remote places. The pharma industry also GST specifically provides for refund of accumulated credit resulting out of increased rate for inputs vis-avis reduced rate of output. This is positive news for the pharma industry, which has been struggling with a high amount of blocked credit in the current regime. Also, special provisions for duty-free movement of goods under job work model, which is prevalent in the pharmaceutical industry and fundamental to its operations, have been provided in the new regime.

GST law also provides seamless transition of entire credit balance as on the cut over date under the present indirect tax laws. Also, continuity of the area-based indirect tax benefits under the GST regime is critical as this may also indirectly impact the cost of medicines and ultimate price to be paid by the patients.

Since GST on inter-state sale of goods would be creditable, there is an opportunity to remodel current supply chain structure to ensure lower logistics cost and bring in significant operational efficiency which should have a positive impact on the profitability of the companies. The sector is hopeful of making refund process fast and simple, this coupled with savings in warehousing and logistics cost may anticipate a positive impact.

A lot of the times, medicines are provided without bills in India. GST would curb such practices as providing medicine without the bill would not be beneficial for anyone in the distribution chain. The government needs to still provide clarification on the inclusion of the current benefit for the manufacturers under excise for operating from the excise free manufacturing zones. The pharmaceutical industry is also asking for more information on the implementation of GST on the MRP of pharmaceutical products.

2.5 FMCG & Retail

GST would have significant impact on the way businesses operate and one of the sectors which would be significantly impacted by GST is the retail sector. Its impact on FMCG firms will depend on their product mix, given that the tax rates have gone up for some products and have fallen for others. The tax fitments announced by the GST council has evoked a mixed response from the FMCG sector, with some viewing it as positive, while many others have expressed disappointment.

Beverage companies, for instance, said the effective tax rate of 40% on sweetened aerated water and flavored water under GST was against the stated policy of maintaining parity with the existing weighted average tax, which is significantly below 40%. Aerated beverages have been placed in the highest tax slab of 28% and in addition will attract a cess of 12%. Apart from driving supply chain efficiencies, bringing untaxed players into the tax net, a large section of the industry still operates in the unorganized segment, thus GST will level the playing field for the larger, established players in the industry.

However, the GST rate structure shows that not all FMCG companies stand to benefit from the new regime. The rates for various FMCG segments have mostly been along expected lines. Items of mass consumption like toothpaste, soaps, hair oil etc. have been put under the 18% tax slab, significantly lower than the 22-24% tax rate they have been paying. This is in accordance with the government's stance of keeping tax rates low for mass consumption products. In fact, the GST rate schedule indicates that nearly 81% of all items are in the 18% tax bracket or below. The remaining 19% fall in the 28% tax slab. The FMCG companies, whose tax incidence has come down under the GST regime, are likely to pass it on to the consumers in the form of lower prices. Lower prices could potentially support volume growth for certain products, particularly in the rural segment.

It is believed that it could result in a faster consumption shift from unbranded to branded products, spurring volume growth for FMCG companies. Simultaneously, it will also bring operational efficiency with rationalization of supply chain by removing bottlenecks. Analysts also point out that tax exemption provided to several critical products required for food processing like jaggery, cereals and milk would benefit this industry. However, surprisingly some of the widely consumed products have been placed under the highest tax slab of 28% which is slightly higher than the rate levied earlier. Higher tax rate in paints, baby food, detergents and shampoo is a real dampener since these are daily-use, mass consumption items.

Manufacturers will have to pass on the higher tax incidence to consumers in the form of higher prices of these goods.

Most of the items belonging to the premium category have been put under the highest tax slab of 28%. These include health supplements, skin care, aerated drinks, and liquid soap, among other goods. But this is not going to have a particularly negative impact on manufacturers as they had been paying similar taxes earlier. For most other FMCG majors, the GST rate structure is likely to be neutral or marginally positive, as their broad portfolios would see a mixed impact.

In case of HUL, for instance, tax incidence has reduced for soap, toothpaste and tea, but increased for detergent, shampoo and skin care. For Godrej consumer products, lower tax incidence on soaps and insecticides is a positive, but higher tax rate for hair dye is a negative. In addition to the above, following are to be considered:

Increased availability of input tax credit

At present, the CVD on import of goods, excise duty on goods manufactured in India, CST on inter-state procurement of goods and service tax on input services, are a cost to the retailers. However, the GST charged on the aforementioned transactions would be creditable. This would eliminate the cascading effect of taxes and could lead to reduction in effective tax cost for various products. But, a higher rate of GST on certain products could offset the benefit of increased credit availability mentioned above and lead to higher tax cost.

Promotion schemes

Retailers currently offer various marketing schemes such as “Buy one get one free”, free samples, etc. to customers. At present, the products given free of cost are not liable to sales tax. However, in the GST regime, supply of goods by one person to another without consideration could also be liable for taxation. This would lead to increased cost of promotion and also pose a challenge as regards the valuation to be adopted for calculating GST on such goods. Further, FMCG companies could generate substantial savings in logistics and distribution costs as the need for multiple sales depots will be eliminated. Currently, FMCG companies pay nearly 24-25% including excise duty, VAT and entry tax and a lower rate of 18% will yield significant reduction in taxes. Also, warehouse rationalization and reduction of overall tax rates is expected to generate saving. Thus, several of the rapidly moving consumer goods companies such as HUL, ITC, P&G will benefit immensely by this tax structure of a GST rate equaling to 18%. Also, much relies on the exemptions which are being retained along with the excise benefits. Benefits aren't expected to be huge and will happen slowly as per several of the analysts.

3. Conclusion

The taxation of goods and services in India has, hitherto, been characterized as a cascading and distortionary tax on production resulting in misallocation of resources and lower productivity and economic growth. It also inhibits voluntary compliance. It is well recognized that this problem can be effectively addressed by shifting the tax burden from production and trade to final consumption. Thus, a flawless GST law in the context of the federal structure would optimize the effectiveness. GST is a well-designed destination-based value added tax on all goods and services which is the most elegant method of eliminating distortions and taxing consumption. Under this structure, all different stages of production and

distribution can be interpreted as a mere tax pass-through and the tax essentially sticks on final consumption within the taxing jurisdiction.

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CORPORATE SOCIAL RESPONSIBILITY EXCELLENCE: AN INITIATIVE OF GNFC FOR RURAL WOMEN EMPOWERMENT IN INDIA

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ABSTRACT

Corporate Social Responsibility (CSR) in India has come to fore front of every organization's decision making. Most companies are moving towards creating sustainable growth models in many ways. Companies are trying hard to balance the CSR law at one side and on the other side, to create a long-term impact of their CSR decisions and activities. Recent study says that CSR Women Empowerment spends, has reduced from 19% in 2014-15 to 11% in 2015-16. This paper identifies one of the sustainable models for CSR leading to Women Empowerment, so that companies can confidently divert CSR funds in this area. A unique CSR intervention 'The Neem Project' by Gujarat Narmada Valley Fertilizers & Chemicals (GNFC) in Gujarat, India is discussed in this paper. We opted for an exploratory study using the open-ended approach with csr officials of GNFC. The data were complemented by telephonic and direct interview & analysis of reports and documents. The paper projects how a CSR supplementing the vision of Government of 100% neem coating of Urea, created a niche in the society and how it resulted in sustainable livelihood of rural women and poor farmers. Provides empirical insights about how change is brought about during internal brand building. It suggests that successful leaders act as "integrating forces" on two levels: integrating the elements of corporate identity structures, and mediating between the corporate branding structures and the individual. The paper includes implications for raising the standards of rural women by increase in the average income, reduction in domestic violence and enhanced decision-making in households etc. and also transformed thousands of daily wage earning women into rural entrepreneurs. This paper fulfils an identified need to study how CSR can be done innovatively for rural Women Empowerment.

Keywords: Innovative Corporate Social Responsibility, Rural Women Empowerment, Sustainability, Neem Project.

1. Introduction

Companies are said to be the ambassadors of change and values and how they behave is becoming a matter of increasing interest and importance. Responsible organizations are increasingly integrating CSR into their business practices all over the world. CSR in India focuses on addressing social & environmental impacts of the corporations.

'Social Development is equality of social opportunities'- Amartya Sen, 1995

CSR describes the relationship between business and society. On a more narrow level, CSR or corporate citizenship (CC) describes the role a firm that aims at operating in society that lay beyond the mere economic aspect. This is usually expressed in a series of policies and activities within and outside the firm that shall help to achieve this goal (Rohregger 2011).

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The Government of India has framed regulations and made mandatory CSR for achieving the desired Socio Economic Objectives. As per current estimates, 16,500 companies in India come under this law which amounts close to 20,000 INR crores annually. According to data compiled by Prime Database, the companies spent i.e INR 8,345 crores on various CSR activities in 2015-16, against Rs 6,526 crores INR the previous year 2014-2015. Instead, there is an increasing trend of companies spending more on CSR. There is a 28 per cent surge in corporate social responsibility (CSR) spending by listed entities in 2015-16. (Ngobox ,2016). This increase in the CSR spending is only from very few companies who have been practising sustainability principles from ages. Government is very serious about the compliance. At present, there are stringent penalties for companies not disclosing their CSR spends. Also, company officials who are found to be indulging in fraudulent practices can face imprisonment which can extend to three years or be fined.

Many publicized and pilot social schemes of the Government have not achieved the targets satisfactorily. Companies are expected to join the Govt projects and help in successful implementation of the social projects through the skills and resources that they have.

2. Women Empowerment:

'There is no tool for development more effective than the empowerment of women.'-Kofi Annan

Empowering women in all sectors is necessary to improve the quality of life of families and communities. Inclusion of 'Women Empowerment' as one of the prime goals in the eight Millennium Development Goals upholds the importance of this fact. But due to the deep- rooted beliefs in the society, women are still tortured and exploited. Women are still subjected to discrimination in the social, economic and educational field. The challenge here is to reach poor women who are landless labourers, smallholder agricultural producers, cross-border traders and factory and domestic workers and see that these women have access to the opportunities and benefits of economic growth and trade. Apart from this, there are also specific challenges when working with the poorest women like: lower levels of literacy, lower levels of access to and control over resources, lower levels of access to networks and people who can assist and support greater vulnerability to sexual exploitation and abuse at the community level other than the household level. Achieving women's economic empowerment is not a quick fix. It requires dedicated policies, programmes and specific developmental measures.

3. Literature Review:

Social Development is the promotion of a sustainable society that is worthy of human dignity by empowering marginalised groups, women and men, to undertake their own development, to improve their social and economic position and to acquire their rightful place in society (Bilance, 1997, pp.63-71). However, well-being is not simply about access to income and resources. It is also related to health, education, social, cultural, environmental and political outcomes. For example, well-being includes free and open participation in family, wider kinship and community groups, participation in formal and informal political processes that constitute governance at all levels in society, participation in cultural processes that create and sustain individual, group and collective identity (Ministry of Social Development, 2001). As a part of social development measure, government of India has made CSR compulsory. The concept of CSR originated in the USA in the 1950's but became popular during the period between 1980 - 2000 when corporations started recognising and accepting some responsibility towards society (Srivastava *et al.*, 2012, pp.17-27). CSR has become a popular reinventing and reengineering tool of the 21st century, particularly in

business circles. Not surprisingly, as CSR remedies have taken effect, sharing “best practices” called from successful experiences (Contreras, 2004). It is imperative that the evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance (Vinita Dave, 2013). Women empowerment in rural areas symbolizes rural development. It can be looked as the best solution to overcome the twin problem of poverty and unemployment faced by the rural areas. Hence it is necessary for the government and the corporate industry to work hand in hand to tackle major problems faced by women in rural areas (Ramchandani, 2015). The success of any strategy of women empowerment depends upon the various factors: Education, Upgrading social custom, Family planning, Health and sanitation, Initiating livelihood, Environment, tree growing, kitchen gardening etc. Collective strategies by the organizations and various NGO's at the ground level are required to be built for this purpose (Swarnalatha and Anuradha, 2017). 2015-2016, in the first year of operations, GNFC turned India Governments decision into opportunity and started on Neem Project which banks upon economical potential, agricultural appeal and consumer appeal (UNDP, 2016).

4. Objectives of the study

- 1) To understand the core CSR activities of GNFC
- 2) To understand the working model of the Neem Project –Women Empowerment CSR project of GNFC
- 3) To identify the role of Neem Project of GNFC.
- 4) To identify the challenges in implementing the -Neem Project -women empowerment CSR project by GNFC.
- 5) To suggest measures for successful implementation of rural women empowerment project by GNFC as part of CSR.

5. Methodology:

The study identifies the innovative CSR initiative towards women empowerment by GNFC, Gujarat through a descriptive research. With purposive sampling GNFC is chosen considering the contributions made by the company towards Women Empowerment recently. To find out the core CSR activities and details of the women empowerment programmes and its challenges, a self-structured detailed questionnaire followed by telephonic interview with Top management and CSR heads of the company was framed. Direct face to face interview of CSR officials in GNFC and Neem Project beneficiaries was conducted to get first-hand data. Information through company website, Journals, Publications, Newspaper articles, Annual Reports etc. Literature reviews with respect to CSR, Women Empowerment and Social Development are collected and compiled. Hence both primary and secondary sources have been used for collecting required data. The analysed data is presented in the form of table, charts and diagrams.

6. Overview of Gujarat Narmada Valley Fertilisers & Chemicals (GNFC)

Gujarat Narmada Valley Fertilisers and Chemicals is pioneer in chemicals and fertilizer industries in India. It specializes in chemicals, fertilizers and IT enabled services. It also has operations in energy sector, electronics and telecommunications.

Chemicals: Chemicals and petrochemical plants such as methanol, formic acid and acetic acid is being setup.

Fertilizers: GNFC has the world's largest facilities of ammonia reference plant and single stream urea plant in the world

ITeS: It provides Digital signatures-procurement, e-Governance projects, Data centres

It has a world class research & development centre at Bharuch, Gujarat recognised by Department of Science and Research, Ministry of Science and Technology, Government of India.

GNFC is a public limited company, established in 1976. It is jointly promoted by the Government of Gujarat and the Gujarat State Fertilizers & Chemicals Ltd. GNFC has grown over the years, diversifying to producing various industrial chemicals. It has gradually expanded its operations and currently has facilities in 8 states, employing 5,500 employees.

Branch Office(s) in India: Ahmedabad, Bangalore, Bhopal, Hyderabad, Jaipur, Lucknow, Mohali, New Delhi, Pune.

GNFC also partners and collaborates with Central and State Govt, NGOs & local communities. F.Y 2015-16, the company registered a profit before tax of Rs.226.36 crores and registered a sale turnover of Rs.4548.30 crores.

7. CSR in GNFC:

CSR in GNFC is in line with Company's vision & mission statement which advocates being technology driven, environmental friendly maintaining highest standards of operational excellence and innovation for creating sustainable value for all stakeholders. GNFC has created a space for itself in the society not just as a pioneer in chemicals and fertilizer production, but also as a company that *cares for society*. CSR may still be an evolving concept but in GNFC, one can see that CSR is a long followed tradition. The basic approach adopted for selecting the projects under CSR is to identify the gaps in various schemes of Governments and to fill up those gaps by providing financial and technical support, so that schemes can be effectively implemented. To carry out its social commitments, the Company has established two Non-Government Organizations (NGOs).

- (i) Narmadanagar Rural Development society (NARDES) established in 1980 and
- (ii) Narmada Education & Scientific Research Society (NEST)

Table: 1 below shows that GNFC performs CSR with purpose. Projects which are directed towards improvement of life by providing education, training & employment, conservation of resources, encourage culture and upliftment of the less privileges of society is taken up to create long-lasting impact and change the lives of the people for the better. GNFC is working ceaselessly towards creating a multiplier effect towards this.

Table 1: CSR Initiatives of GNFC

Sl.no.	Area of intervention	Community Investment Initiatives
1	Women empowerment & Community Development	✓ The Neem Project
2	Education	<ul style="list-style-type: none"> ✓ Construction of Multipurpose Hall ✓ School Project ✓ Narmada College of Science and Commerce ✓ Narmada College of Computer Application ✓ Narmada College of Management ✓ Narmada Vidyalaya ✓ Tejaswi Project: Training Teachers ✓ Bus facility for school children ✓ Exposure Visit for School Students ✓ Gunoutsav 2016
3	Helping the underprivileged	<ul style="list-style-type: none"> ✓ Providing Aid to Malnourished Children of Patan District ✓ Project for Jammu & Kashmir Flood Relief ✓ Nutrition Project "VATSALYA" ✓ Mobile Medical Van ✓ Gadkhol – Dadhal Regional Drinking Water Supply Scheme ✓ Drinking Water Project with WASMO ✓ Safe Drinking Water : RO Water Project ✓ Ashirwad Recreation Centre for Elderly ✓ Providing Medical Aid to Needy Patients of Bharuch through SevaYagnaSamiti ✓ Providing Garba Dresses to Orphans
4	Local heritage	<ul style="list-style-type: none"> ✓ Call centre for Statue of Unity ✓ Support to "Panchmahotsav"
5	Youth development	<ul style="list-style-type: none"> ✓ Awareness Camps on De- addiction ✓ Vocational Training Centre ✓ Driving class project
6	Poverty alleviation	✓ Programs for Artisans
7	Working for disability	<ul style="list-style-type: none"> ✓ People- centric Camps : Eye Donation, Camps for people with special need ✓ Project for Special Children
8	Conservation of nature	<ul style="list-style-type: none"> ✓ Solar Panel Project ✓ Cycle Sharing Project ✓ Trees Transplantation Project

9	Promotion of culture	✓ Support to Ruhaniyat ,2017
10	Infrastructure	✓ Developmental activities in Angareshwar village ✓ Primary Health Centers ✓ Infrastructure Development in Dahej ✓ Toilet Project in Bharuch District
11	Others	✓ Cashless Township (supporting digital India) ✓ Blood Donation Camp ✓ Blood Bank Project in Narmada District ✓ Contributions to Swatchh Bharat Abhiyan

(Source: GNFC Records)

8. Neem Project description:

Of all the CSR projects, the “Neem Project” forms unique project of GNFC, as a mark of innovation in CSR. To its excellence, following awards were conferred for its contribution towards rural Women Empowerment and social development.

- *Porter Prize by Harvard affiliated Institute for Competitiveness,2017*
- *India CSR Summit –Innovative Project of the year 2017*
- *The Golden peacock award 2017, Bangalore*
- *The Global CSR award 2017, Mumbai.*
- *Golden globe Tigers Award for excellence & Leadership award for excellence in CSR 2017, Malaysia.*
- *The SKOCH order-of-merit award 2016*
- *SKOCH Blue Economy Platinum Sustainability Award 2016*

The project has got appreciation by our Hon'ble Prime Minister and have received several positive media comments.

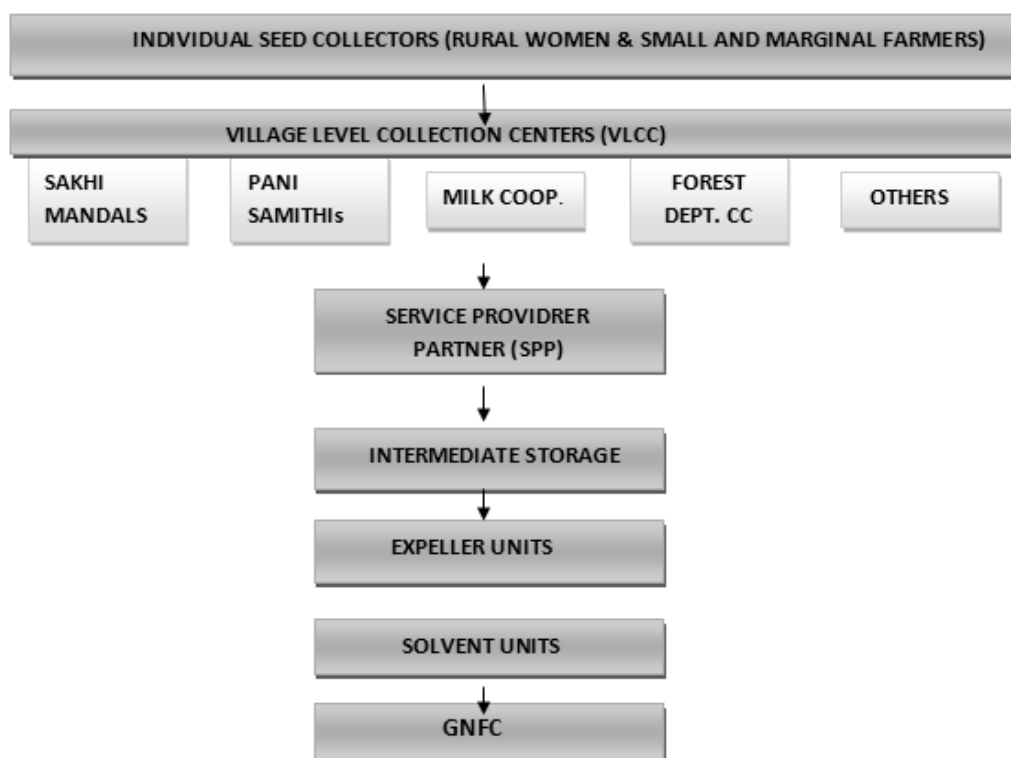
Women Empowerment through Neem Project:

The Neem Project launched in 2015, is the by-product of Hon'ble Prime Ministers decision on 100%Neem coating of Urea in the country. With the vision to combat deterioration of fertility of soil, protect crops from diseases and reduce pilferage of fertilizers to non-farmers the Government of India made mandatory for 100% Neem coating of all urea produced in the country. To take this vision forward, GNFC along with support of Gujarat Government started with a distinct plan - The Neem Project. Under this project, neem seeds are collected in the season which is from May to July end through the poor farmers and rural women. The collected neem seeds are used for extracting neem oil which is used for coating urea, and to produce several products like neem soaps, mosquito repellent, hand wash, shampoo, face wash etc.

GNFC started backward integration process to involve the rural poor, empowering marginalised communities mostly landless labourers with focus on women in seed collection. Here the main goal is to initiate community-led transformation. It laid targeted focus on women empowerment by helping income generation and improving their livelihood prospects. The project is implemented in 22 districts covering 4000

villages in Gujarat. It is replicated in other states like Rajasthan, Maharashtra, Uttar Pradesh, Andhra Pradesh, and Karnataka through partnerships with NGOs and other organisations. The neem products are also made available in different states.

Figure No.1- GNFC Neem Seed Collection Structure



(Source : GNFC Records)

Neem Seed Collectors: Rural poor women & poor farmers collect neem seeds & go to Village Level Collection Center (VLCC) where they will get a fair price for their Neem Seeds according to correct weightment & quality of seeds collected.

VLCCs: These provide awareness, training about the project & set up suitable collection centers. Collected Neem seeds from VLCC will go to Service Provider Partner (SPP) or GNFC authorized godown.

SPP: These do screening, drying, weighing, bagging, storing and drying of seed received from VLCC. And also transport to oil extraction units through a well-established supply chain. VLCC and SPP coordinators get remuneration for their services.

GNFC collects neem seeds regularly from SPP which will be sent to extraction unit setup by the company. Neem seeds are processed to get the neem oil which is used for coating urea and producing several personal care and domestic products. GNFC makes the payments to SPP and SPP to VLCC &

individual collectors. For this a clear and timely reporting system is in place on a weekly basis to ensure the transparency and accountability.

9. Discussion & Evaluation:

The data analysis is divided into three parts: Part I comprises of the analysis of a case beneficiaries, Part II deals with the analysis of data obtained from company .

Part-1 Beneficiary

A random selection of a village in Gandhinagar district was made and random selection of 4 participants of Neem project was involved in group interview for this case study.

Smt.Banu Behen is a woman with hopes and dreams gleaming in her eyes to contribute to the family and the rural community .She has become a strong pillar of the family now. She was working as a nurse in a nearby hospital which fetched her very little. From last three years she is working for GNFC Neem project.

During the neem season, daily morning around 7.00 am, she and her husband assembles poor women and take them on their trucks into the forests to collect the neem seeds. On her way she drops two to three women seed collectors near every neem trees. By the end of the day around 9.00 pm she again picks all those women seed collectors along with their collection for the day and drops them back home safe.

For once we are reminded of a school bus which picks and drops children safely. Isn't it? This responsible and thoughtful action by rural women who has just studied her primary schooling is to be applauded. She is making a difference in a small way yet very effective way.

Thanks to the Neem Project of GNFC, this has provided a platform to many such rural women to exhibit their leadership skills. This was an inspiring story of rural poor women in Devakarna Muwada a small village in Gujarat. She passionately speaks about her experience with the Neem Project. Being part of it from past three years, it has visibly increased her savings so as for many others.

Banu Behen is financing her daughter –in –laws education, purchase desired jewelleryes for her, stock groceries for home consumption and gift a mobile handset to her son all through Neem Project savings. Relatives from far off places come and stay in Banu Behan's house during neem seed collection to participate in Neem Project.

Observations

It can be noted that Neem Project has enabled rural women engage in measurable and productive economic activity. This has led to financial and social inclusiveness through self-employment, decreased poverty, consumption smoothening, asset accumulation ,wealth creation, increased confidence among women and reduced gender disparity and reduced domestic violence .The CSR Neem Project of GNFC has created an opportunity to empower rural poor women.

Part-2: Company Data on Neem Project**Table 2: Table showing 3 years data on the Neem Project)**

SL. NO.	DATA	2015	2016	2017	percentage increase
1	Total Seed Collected (Incl. Other States in 2017) Karnataka(1000 MT) Madhya Pradesh(2425 MT) Maharashtra (100) Rajasthan(1300 MT) UP (100 MT)	10238 MT	11265 MT	22000 MT	114%
2	Total Income Generation (Approx.)	10 crores	11-12 crores	26 Crores	160%
3	No.of Women & rural poor Participants(Approx)	1. lacs	1.2 lacs	2.2 lacs	120%
4	Neem seed rates	Rs.2 to Rs.11 per kg	Rs.5 to Rs.12 per kg	Rs.5 to Rs.16 Per kg	45%
5	Input Human Resources		(Approx.)167 People	(Approx.) 200 people	*
6	Storage capacity	5000	6000	18000	260%
7	Neem Oil produced	807.223MT	885.93MT	1838MT	128%

After the success in the first two year of launch, the third year of the Neem Project has exceeded double the success of the previous years despite the unfavourable climatic conditions. Data is analysed using simple percentage method

$$\text{percentage increase} = \frac{\text{2017 th year (estimated data)} - \text{2015th data}}{\text{2015th data}} \times 100$$

With highly sophisticated, state of the art facilities, GNFC in Gujarat gleams with photographs of Awards & trophies won across the country. All Neem products well displayed, proud employees exhibit a satisfactory experience, working in the Neem project. It's interesting when the officers compete in neem seed collection from their respective village blocks trying to call themselves 'Neem Rathna' of the year.

Discussion – Spirit of Neem Project in GNFC:

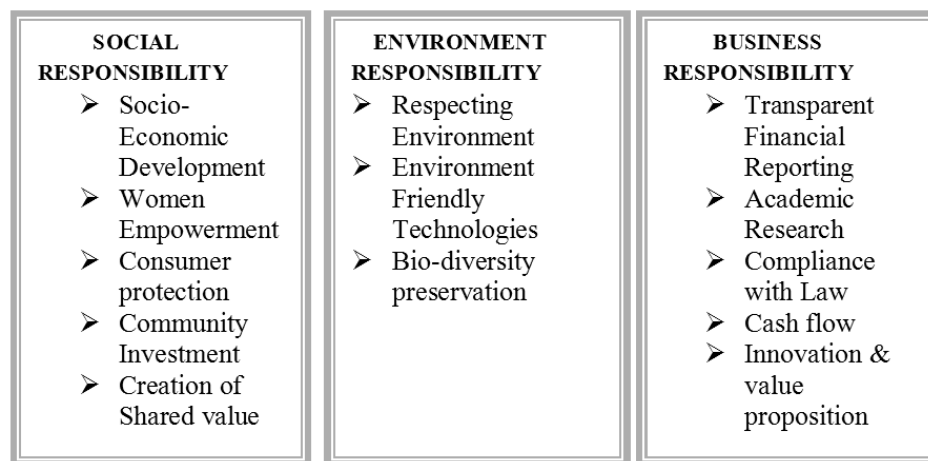
Empowering and investing in rural women is a pre-requisite to fulfil the vision of Sustainable Development goals that aims to end poverty and hunger, good health and well-being, achieve gender equality, protect environment and foster innovation. GNFC has embarked on this through Neem Project initiative after the honourable Prime Minister made compulsory of Urea coating with Neem oil in the year 2015.

As collected through primary data input resources for the Neem Project, 2015 includes 167 employees, establishment of soap manufacturing unit costing (approx. 27 lacs), an expeller unit established with 75 lacs. In its first year of operations the Project generated INR 12-15 Crores supplementary incomes for about 1.25

Lacs rural women and landless labourers. In 2016, it has increased to approx. Rs 25 crores supplementary incomes to over 2 lacs rural women and landless labourers. More than 20,000 MTS of neem seeds has been collected in past two years. Prices of the Neem Seeds have shootedup due to fair collection practices have gone up from INR 2/- to 12/- per kg. directly benefitting the seed collectors. In the last two years, over 25 crores income has been generated for 225 thousand women. An additional 75,000 people has benefitted from indirect employment. Neem seeds were collected from 4000 villages and 850MT neem oil produced.

In 2017, the numbers are all doubled .The neem project has remarkably helped in sustaining a dynamic process for women empowerment in rural Gujarat. By way of social forestry, the project aims to plant one million neem trees over the next five years and create awareness about the environmental protection. GNFC is working to increase neem seed collection throughout India and to involve more poor and vulnerable women in this movement. UNDP Survey was conducted in Neem Project, which acknowledged that there is 36.8% increase in the average income of rural women, enhanced role of women in decision making, increased number of women who owned livestock, reduction in migration, decreased violence, increase in asset creation and education, health, and clothing expenditure, increased number of women entrepreneurs. Creativity and innovation is the best available tool to be used in the area of CSR. In this regard, the following sustainable aspects are achieved by The Neem Project.

Figure No.2- Sustainability factors in The Neem Project (analysed by authors)



For the sustainability of business, it should address social, environmental and economic parameters of sustainability concept and The Neem Project tend to relate to all these factors. The impact on profits, people and planet –Triple bottom line is well managed.

10. Challenges:

Sourcing (Backward Integration Process)

GNFC had to begin from scratch and set up the entire supply chain from sourcing of Neem seeds to extraction of Neem oil – For this GNFC approached *Self Help Groups, Milk cooperative societies, SakhiMandals, PaniSamities, & Forest Department Collection Centres* The window for Neem seed collection lasts between 45 days to 60 days between May and July. This is the only time when the Neem seeds can be collected, as the seeds need to be shed naturally from the Neem tree. The entire sourcing and collection

activity has to be sharply timed and managed to ensure that the right quantity and quality are sourced. Neem trees are not harvested in farms so growth is not localised and uniform. The success of the project also lies in the zeal with which the partners deal with and promote the activity in rural areas.

Storage:

The small window of seed collection period necessitates efficient linkages, processes and systems in place in terms of seed storage to avoid leakages and wastages. Neem seeds are volatile and can combust if not kept in open and airy spaces. Finding a suitable storage space for collected neem seeds is one of the major challenges.

Extraction and Ensuring Quality Control:

Neem seeds are processed in local expeller units ensuring that these units would have optimal capacity to operate emerged as a major challenge to GNFC. *Proper monitoring, checks and balances are ensured by GNFC official's right from the collection to extraction process through awareness and capacity development programs conducted for those handling this process. Regular trainings are conducted for VLCCs, SPPs, Collectors, and expeller units.*

Forward integration:

There is tough competition in FMCG sector and the Market size is estimated to grow. As an organic product, the neem products has huge potential demand both in rural and urban market. *The company has varied neem products and now GNFC is set to produce new product categories with neem in health and wellness.*

Besides this, climatic changes like heavy rains affect all the above activities.

11. Conclusions and Suggestions:

Based on the above discussion we conclude that GNFC has shown excellence in CSR through a nature friendly CSR project- 'The Neem project' which has given path for successful women empowerment. As such responsibility of corporations must not only start and end with allocation of profit. It needs to be extended into the depth of the overall functionality of the organisation. The Neem Project of GNFC has emerged as a revolutionary movement to empower the poor. The specific perspective to empower the rural community at the design stage of the policy and programs of the Neem Project is an over-arching good practice. By adopting strategic corporate sustainability factors and integrating management principles, GNFC has adopted a proactive measure to augment towards social development through CSR. It has proved sustainable model with high social intervention which has strengthened its reputation and built good relationship with its customers and suppliers.

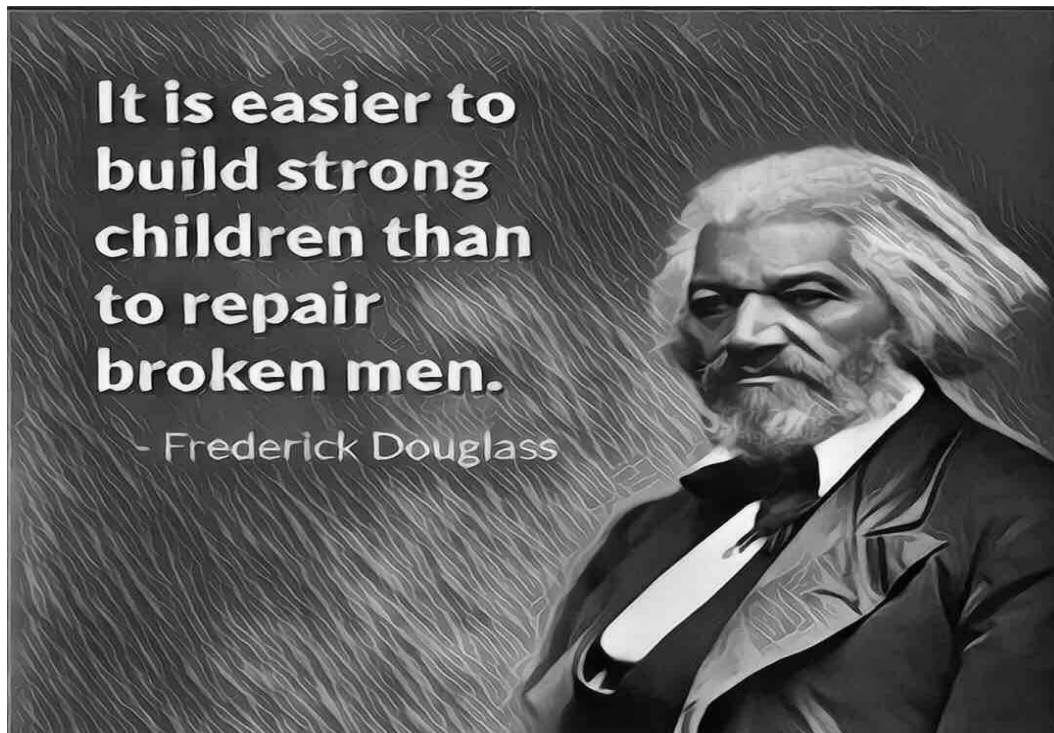
The Ministry of Fertilizer has directed all Lead Fertilizer Suppliers (LFS) and other fertilizer companies to adopt GNFC's model of Neem Project. GNFC provides guidance for other companies to replicate this model. The project has prevented the misuse/diversion of Urea, reduced the use of Urea and supplemented the income of rural poor especially women through Neem seed collection. It is also promoting the usage of organic fertilizers for the larger interest of farmers and increasing its availability, and encouraging people to protect and nourish neem trees. This project has the huge potential to be replicated in other parts of the country. Such innovation in social projects is the need of the hour. Following are some suggestions given by the authors.

1. Campaigning about the project across various events related to women and girls may be made to increase awareness. Radio and other mass media may be used for the wide reach.
2. Technology can be customized and transactions with seed collectors, VLCC & SPP can be in digital mode.
3. Providing supplementary services like to providing financial planning assistance to women participants will directly increase women control over resources.
4. Rural development projects like investing in infrastructure, domestic technologies that reduce time consuming elements, developing existing services etc can be undertaken in different states as a means of building brand image.
5. Internal CSR communication system to be developed to have more voluntary employee involvement in the project.
6. Online store can be set up and digital marketing can be used to sell neem products as fulfill decisive purchase factor –the need for speed.
7. Creating specific products through neem targeting for rural market and young consumers.
8. Government support can be sought for setting up storage and oil extraction units in other states and persuade officials for relevant concessions for the project.

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