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Phone No. 0751-2230233,9425121133

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*Publisher/Printer/Owner/Editor-in-Chief :*

**Dr. Prabhakar Singh Bhadouria,**

**Gwalior Management Academy**

Regd. Office: C-17 Kailash Nagar Near New High Court Gwalior M.P. INDIA-474006,

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## Message

*Editor in Chief / Managing Editor*



Dear Academicians & Research Scholars,

Wishing a very happy new year 2016 to all of you, I would like to tell that now our referred research is journal listed with GIF Australian and Ulrichs USA research groups. We have also collaborated with many research groups which belong to abroad form publishing worth research papers in our esteemed journal. The motive of the “Journal of Management Value & Ethics” is to publish worthy and original research papers after double blind peer review process. There is no doubt that today we are spreading our recognition on international floor. During the last five years of our successful 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 and related. Many academicians, research scholars & students have approached from different countries like USA, Thailand, Indonesia, Saudi Arabia, Iran, Spain, Nigeria, Nepal, Pakistan, Sri Lanka, Uzbekistan to publish their research work in our esteemed International research Journal. We have considered most of them for publishing after peer blind review process. We have also published many research papers from different management institutes of our country and they too are sending the same regularly for publication in our 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. Our renowned editorial & advisory board is a real mile stone of our success. We thank our board members and editorial team, who are experts in different fields and contributing their valuable experience with us.

Today, nothing is possible without research. 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**

## IMPACT OF ECONOMIC CRISIS ON THE TOURIST MOBILITY OF THE REPUBLIC OF UZBEKISTAN

M.TALIMOVA<sup>1</sup>

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### ABSTRACT

*The article has conducted with the help of mathematical modeling methods while taking into consideration economic crisis and a status of sector in total. On this basis, investigation that considered as one of the significance one leads the financial impact and economic crisis on the demand for the formation of the national tourist product in the case of Uzbekistan. The proposed model makes it possible to predict the volume of demand for national tourist products, depending on the relevant influencing factors of the environment, as well as the manifestations and impact of the financial and economic crisis on this indicator. The underlined strategic guidelines for the further development of the international tourism market in the country justified the conclusions emanating from the analysis.*

*Keywords: International tourism, tourism market, regression analysis, least squares method, the financial and economic crisis, visa restrictions, factors.*

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### Introduction

The modern tourism industry is the world's largest producer of the gross world product and the main source of employment - it accounts for a significant part of world figures. According to the World Council of Travel and Tourism, in the tourism sector in 2014 employed more than 276 million people that is considered to be 9.4% of total employment in the world. Also, its share, currently accounts for 9.8% of the global volume of GDP (including direct, indirect and induced impact of tourism on the global economy), 30% of the world volume of services exports (1.5 trillion USD), and 6% of the world exports of goods and services, as well as every 11<sup>th</sup> job created in the global economy (UNWTO, 2014).

As a powerful catalyst for social and economic development of individual countries and regions, tourism supplies foreign exchange, investment, contribute to the rapid growth of related industries, helps to solve the problem of unemployment, increases the country's reputation in the world community. It is important to note that the economic power of tourism is largely based on the multiplier effect that tourism is very scale. As Polish tourism theorist Irena Jendrzeczyk underlines and makes special focus, "through multiplier effects per job in

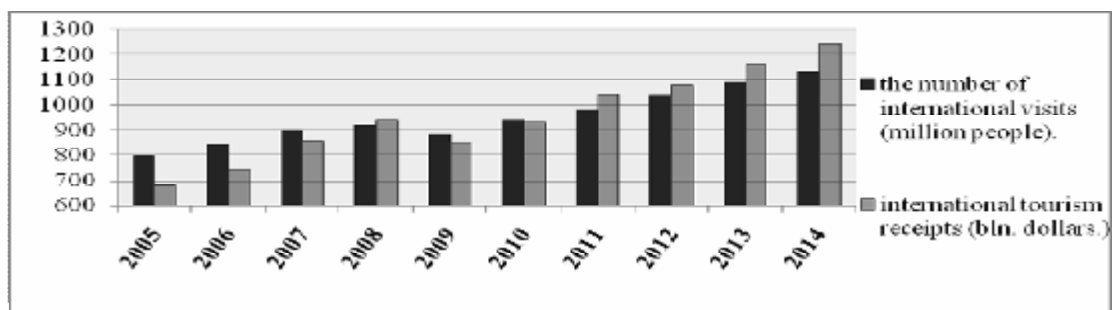
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<sup>1</sup> A Senior Fellow Researcher of the Department "Economic Theory" Samarkand State University, Samarkand, Uzbekistan, [alimovamashhura@mail.ru](mailto:alimovamashhura@mail.ru)

tourism creates seven new jobs in other industries and sectors related to tourism" (Abdulkarimov B.A, 2013; 'The State Committee of the Republic of Uzbekistan on Statistics - Economy in numbers', 2014.). Because of this, tourism can give a start to a qualitatively new stage of development for destinations, regions of many countries as whole. Especially with large recreational opportunities it may improve the way of deployment while making the better life standard for inhabitants. Moreover, without any doubts and exceptions, Uzbekistan as one the Silk Road tourism destination, while demonstrating famous and ancient cities, has a great chance of tourism deployment (Coulibaly et al., 2012; Knobloch, 2013).

However, Uzbekistan has enormous tourist resources (today in Uzbekistan there are more than 7000 monuments of different epochs and civilizations), tourism has not yet reached the level of development, adequate to its potential. According to the World Travel Tourism Council, in 2014 this sphere in Uzbekistan has provided employment of more than 387.6 thousand people, or 2.6% of total employment in the country, it accounts for 1.6% of total exports of goods and services, and the share of tourism revenues in the GDP does not exceed 3% ('EHL/UNWTO Silk Road Strategy Initiative | UNWTO Silk Road Programme', 2013.; Werner, 2003). For a state having such a huge opportunity, this trend is very small compared with countries in which tourism is the leading sector of the national economy (for example, the share of tourism in GDP: in Malta -28.1%, while 21.3% in Cyprus, Greece - 17.3%, Spain - 15.2%, Egypt - 12.8%, Turkey 12%. In today's global economy, the state of tourism largely depends on a timely and in-depth analysis of relevant activities, reflecting the conclusions of this analysis. Studying the trends of tourism development at the global, national and regional economies should be given special attention to its development in the post-crisis period. Like all other sectors of the economy, the global tourism industry has been affected by global financial instability. The difficult economic situation has led to a decline in demand for most of the world tourism market. However, after a short recession in 2009, tourism continued its stable growth. (Figure 1)

**Figure-1. Trends in the development of international tourism in the world**

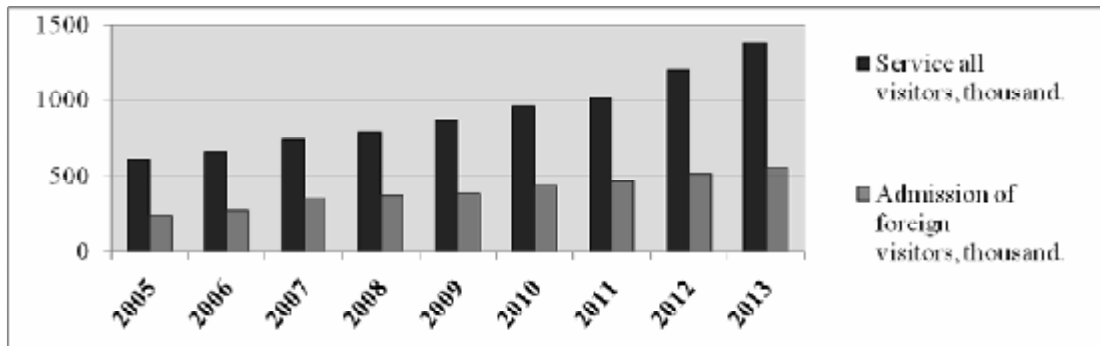


Source: UNWTO 2015

The results of the analysis of operational data of the National Company "Uzbektourism"

showed that the impact of the financial crisis that did not affect the overall quantitative indicators of tourism development in the Republic of Uzbekistan ('National Company "Uzbek Tourism"', 2014, 'Uzbektourism Natinal Company', 2014).

**Figure 2. Trends in the development of tourism in the Republic of Uzbekistan**



Hence, it has been considering that the financial and economic crisis have not affected the state of the national tourism market, it is fact that destinations faced unpredictable issues in the development of the sector. It is considered that, the way of the advancement has been receiving a blow wave of economic crisis in itself, since this sector, both directly and indirectly bonded with the globalization globally.

Despite the growth of quantitative indicators, the national tourist industry of Uzbekistan is still subject to the influence of socioeconomic relations of the post-crisis period. In our view, the impact of the financial crisis, by affecting the financial and economic well-being of the population of the world was reflected in the preferences of consumers of tourism services, which has led to structural changes in demand for domestic tourism market. To identify these structural changes in demand we have decided to use the methods of mathematical and statistical analysis in the study (Akimov & Dollery, 2009; Beatty & Ritter, 1986; Mishkin, 2007).

### Literature review

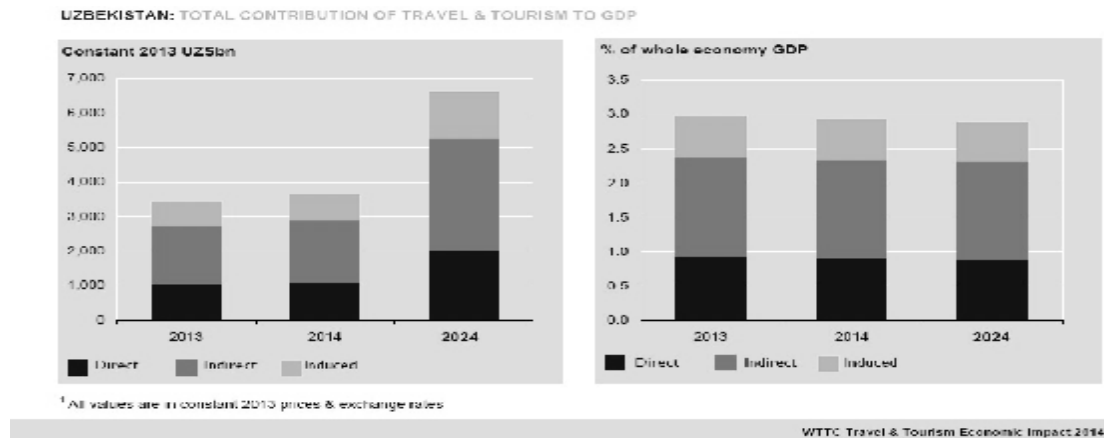
Demand for international tourism market is influenced by many factors, which include demographic, natural and geographical, socioeconomic, political, logistical and other relevant features. Therefore, the most important aspect of the study of consumers of tourism services, according to Baumgarten is the study of factors affecting the consumers of tourist services.

The development of tourism as one of the leading sectors of the global economy, served as a pulse start of research devoted to evaluating the consequences of large-scale social, economic, political and natural events on tourism (Ritchie, 1984), events such as the terrorist attack September 11, 2001 (Yu-Shan Wang), acts of terrorism, earthquake and

tsunami of 2004, the financial crisis of 2008, the Olympic Games (Jennings, 2010; Lagadec, 2004) and so on. An important role in the effective development of international tourism is economic factors. The impact of economic factors on tourism, mainly due to the fact that between the trends of development of tourism and the economy there is a close relationship. There is a direct correlation between the economic development of the country, the volume of the national income and material well-being of its citizens. Therefore, states with developed economies tend to lead the global market in the number of tourist trips of its citizens. This statement and a number of causes, including our indicators such as "GDP in the country supplier of tourists", "GDP per capita", "the share of gross savings to GDP." Permanent effect on the development of tourism have demographic factors related to the population, placing it in selected countries and regions, demographic structure (with the release of the working population, students and pensioners), marital status and family composition (Ajwad et al., 2014; Akimov & Dollery, 2006; Oh, 2005).

On this basis, the government reported growth at 8.1% in 2014, slightly above 8.0% in the previous year. The government expanded public spending and commercial lending to sustain domestic demand in order to improve various sub-sectors of the economy. On the supply side, industry and services were the main contributors to growth, as industry excluding construction expanded by 8.3%, versus 8.8% in 2013, and services expanded by 15.4%, up from 13.7% in 2013. In industry, the on-going state modernization program, backed by substantial public investment, boosted the production of machinery, metals, and chemicals, which expanded by 10.2% and added almost 40% of total industrial output (Figure3).

**Figure 3. Total contribution of tourism to GDP**



The direct contribution of Travel & Tourism to GDP in 2013 was UZS1,061.9bn (0.9% of GDP). This is forecast to rise by 5.1% to UZS 1,116.6 billion in 2014. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. The direct contribution of Travel & Tourism to GDP is expected to grow by 6.2% pa to UZS 2,030.0 billion (0.9% of GDP) by 2024 (Akimov & Dollery, 2006; Brück et al., 2014; Fry, 1988).

**Figure 4 . Direct contribution of tourism to GDP**

<b>Direct contribution of tourism to GDP</b>		<b>2014 % rise</b>
<b>4</b>	Iran	10.0
<b>38</b>	Russia	7.0
<b>47</b>	Georgia	6.4
<b>52</b>	Turkey	6.1
<b>71</b>	<b>Uzbekistan</b>	5.1
<b>76</b>	Ukraine	4.9
<b>84</b>	Kazakhstan	4.7
	<b>World</b>	4.3
	<b>Europe</b>	3.4
<b>130</b>	Armenia	3.2
<b>175</b>	Kyrgyzstan	0.9
<b>179</b>	Azerbaijan	0.5

On the demand side, increases in wages and pensions, public investment, and commercial lending were the main sources of growth. Public sector wages rose by 19.1% in 2014, sustaining private consumption. Gross fixed capital formation was reported rising by 10.9%. Capital investment reached \$14.6 billion, or 24% of GDP, including more than \$3.0 billion in foreign investment. Notable projects completed in 2014 include the expansion of the General Motors Uzbekistan automobile manufacturing plant and the completion of a key



branch of the gas pipeline linking Central Asia to the People's Republic of China. Commercial bank lending raised credit to the economy by 31.2%. The government reported average annual inflation at 6.1% in 2014. Official consumer price index data show that inflation slowed primarily because food prices fell in line with global trends. The International Monetary Fund estimated, using the same data as the government, but a different methodology, that inflation slowed to 8.4% from 11.2% in 2013. Inflation is nevertheless believed to have increased in the fourth quarter because of rapid currency depreciation against the US dollar.

In services, strong performers were information and communication technology (up by 24.1%) and finance (up by 33.9%), supported by robust demand and domestic lending. Another important service sub-sector— trade and catering—grew by 17.5%. Despite unfavorable weather, agriculture grew by 6.9%, faster than in 2013, on healthy vegetable harvests and expanded livestock production. In the short period, Central Asian states have done a great job on the revival of the unique heritage of local people, have created the conditions for the development of traditional arts and folk and have restored monuments of history and culture. Thanks to these measures, every year, the tourism potential in these tourism destinations and requirements for development of tourism and its infrastructure has improved radically and positively. Tourism, as one of the highlands dynamically developing area of the Central Asian economy, plays an important role in strengthening the economic, cultural and political ties between states. Moreover, accessibility for deployment of touristy types, unique cultural background, traditional and mental features of the area could be reinforcement for further economic advancement. From a global point of view, countries such as Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan have been investigating and conducting various projects in order to improve this field of economics (Coulibaly, 2012).

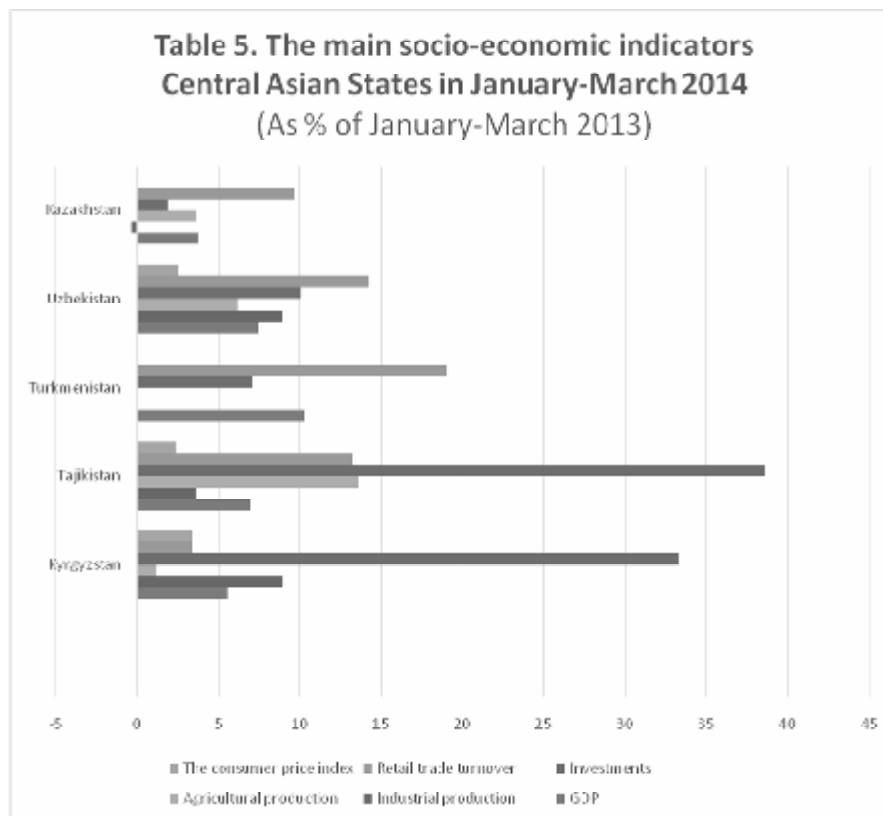
In January-June 2014 small businesses (business) made 43.9 percent of total GDP, which is 0.7 percentage points more than in the corresponding period last year. The share of small enterprises and micro of GDP in January-June 2014 was 26.1 percent compared to 25.9 percent in January-June 2013. It is obvious that the number of employed in the private sector of small business was 8926.9 thousand people or 91.9 percent of total employment in the area. According to below cited graph it is evident that («The State Committee of the Republic of Uzbekistan on Statistics - Economy in numbers», 2014);

Small businesses (business) in January-June 2014:

- Provided employment to 9715.6 thousand people, or 76.4 percent of total employment in the economy, including the individual sector employs 7390.0 thousand people, small businesses and micro-- 2325.6 thousand people;
- Industrial output was 9833.4 billion sums (28.4 percent of total industrial production), or 113.9 per cent compared to January-June 2013;

- Explored investments in 4917,7 billion sums (32.8 percent of the total volume of investments), or 109.5 per cent compared to January-June 2013;
- Construction works at 6668.8 billion sums (71.0 percent of the total volume of construction works), or 111.7 per cent compared to January-June 2013;
- Ensured the growth of road transport by 7.8 per cent (80.3 per cent of total turnover) and passenger to 7.4 per cent (88.1 per cent of total passenger traffic);
- Formed 45.6 per cent of the total retail trade turnover of the Republic, which was 11,814.5 billion sums (up 11.8 percent), paid services, respectively, 45.2 percent and 4,600.0 billion sums (an increase of 14 3 per cent);

According to last economic analyzes of specialists, the contribution of the service sector of the economy even shows fluctuation, the share of this sector has demonstrated well – dynamic on in the eight-year period. Below given information reveals that, the service sector is considered the main part of the economy for all States, except Turkmenistan where service sector more than one third of GDP.



\*Source: CIS-STAT and national statistical services of the CIS countries

Thus, the growth of the world population as a whole and its individual regions is directly proportional effect on the increase in the number of tourists. Statistics show that tourist flows from countries with higher population density, more intense than from countries with a lower population density. Therefore, the sample data model, we decided to include the variable "population" in the State of the supplier of tourists in Uzbekistan. In recent years, experts from various international organizations marked the progressive trend in the world exceeded the number of journeys carried out directly in the neighboring countries or regions over the next number of trips to long-haul and transcontinental directions. To verify this statement in the sample data model, we included the variable "distance between Uzbekistan and analyzed state" tourist formalities associated with the crossing of state borders, are an integral part of the international tourism and act as its main features. The more obstacles to the free movement of people is the more noteworthy its impact on the development of tourism contacts (David Airey & Myra Shackley, 1997; S. Adilxodjayeva & S.Muratayev, 2014; UNWTO, 2012).

Impact of visa restrictions on tourism development has been studied by several researchers and international organization of tourism ('EHL/UNWTO Silk Road Strategy Initiative | UNWTO Silk Road Programme', 2013.). To visit the Republic of Uzbekistan visa is not required for citizens of Russia, Ukraine, Kazakhstan, Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan and Moldova. There is a simplified visa procedure for the citizens of Austria, Belgium, Britain, Germany, Spain, Italy, Latvia, Malaysia, France, Switzerland and Japan. Visitors from these countries form the bulk of the demand for a national tourist product of Uzbekistan. Included in the data model of the variable "travel restrictions" would allow the analysis of the positive effect of the simplification of visa formalities ('Central Asia: Problems and Perspectives of International Tourism.: Slavomír Horák', 2014).

Issues of tourism development in the context of the global financial and economic crisis have been studied by many scientists and specialists from foreign countries (for example, Ritchie, Molinar and Fretchling, 2010; Smeral, 2009; Song and Lin, 2010; Mirela Mazilu 2011, Maria del Mar Alonso- Almeida, Kerstin Bremser, 2013; Yu-Shan Wang, 2009 and so on), as the CIS countries (for example, 2010 MW of Ephraim; Gaydukevich LM 2012; Plekhanov YN, Ageev ES. Bulatov and Yu, 2009 and so on).

Ritchie and his colleagues, based on the collection and grouping of statistical data from various sources described the status and trends of the tourism industry in three countries: Canada, United States and Mexico (Bhatia, 2006; Binkhorst & Den Dekker, 2009a; David Airey & Myra Shackley, 1997). Their study showed that the impact of the financial and economic crisis on the development of the tourism industry in these countries is not uniform. Also, the results of studies of the Belarusian scientist Haidukevich LM, which contained elements of comparative analyzes of global macro and micro-regions showed regional differences in the effects of the crisis in the tourism sector (Go & Jenkins, 1997).

In their view, if the European Region of the crisis response was "self-governing debt crisis", the Asia-Pacific macro-region crisis has not only undermined, but became her stage new opportunities for tourism development, and a record decline in 2011 database as it observed in the flow of tourists to the Middle East and African regions, that not only because of the global financial crisis, but also for the reasons linked with the political regimes (Hutchinson, Lai, & Wang, 2009). Modern trends in the development of tourism they gave description: "... tourism" is closer, cheaper, and shorter. When the amount of outbound tourist traffic shows reduction the growing trend of "wild" tourism, which stimulates the development of tour packages in unique areas face issues with specific flows as whole". The results of the analysis of research, development of the national tourism market of Uzbekistan in the post-crisis period, domestic researchers have identified structural changes in demand while considering the market, reflecting modifications and abrupt changes from a geographic point of view. According to them, during this period the trend of growth of visitors from the CIS countries exceeds the growth of visits from abroad (Binkhorst & Den Dekker, 2009b; Chan & Guillet, 2011).

Some other studies have mainly focused on forecasting demand in the tourism market, reflecting the impact of the consequence of the global financial and economic crisis on the tourist preferences. Statistical Research aimed at forecasting demand for overseas travel in the EU-15 in 2009 and 2010. The study predicts that in these countries, according to their economic development prospects, there may be a decline in demand for tourist products in the range of 8% to 15% in 2009 and between 0.5% and 8.4% in 2010 (Oh, 2005). In the case of Asian countries in the study, and Song Lin projected tourist arrivals from 12 countries, the main suppliers of tourists to Asia and Asian tourists spending in 11 directions do not include tourist trips to Asian countries. Their study showed that the volume of tourism in Asia will decline significantly in 2009, especially from distant countries.

The volume of outbound travel from Asia is also significantly reduced during this period, with the exception of Hong Kong and mainland China. Some researchers have studied the impact of the crisis on individual sectors within the tourism and clues to solve the problems in the way of their development. For example, the study of Spanish researchers Maria del Mar Alonso Almeida, Kerstin Bremser aimed at studying the effects of the financial crisis on the development of the hospitality industry as an example 70% of hotels in Madrid. The study showed that although the crisis of 2008 severely weakened hospitality sector, these effects are not reflected in the activities of a number of hotels, focusing on high quality, brand image and better equipped base of loyal customers. In their view, the increase in marketing expenses facilitates the crisis (Binkhorst & Den Dekker, 2009a; S. Adilxodjayeva & S. Muratayev, 2014). Taiwanese scholar Yu-Shun Wang has studied the impact of the crisis on international inbound tourism demand in Taiwan, to develop a better understanding of the changes and trends in demand for international tourism. The paper examines the impact of the crisis such as the Asian financial crisis of 1997, the earthquake

September 21, 1999, the events in the United States on 11 September 2001, the outbreak of SARS in 2003 and the global financial and economic crisis 2008 goda on the development of the Taiwan international tourism market.

The results showed that the volume of inbound tourist traffic suffered the greatest decline during the outbreak of severe acute respiratory syndrome (SARS), then 21 September 1999 terrorist attack and the effect of the earthquake 11 September 2001 the United States. Amidst all crisis events 1996-2009 years of the impact of financial crisis in Asia were relatively minor. Yu-Shan Wang concluded that any impact on the safety, whether it is domestic or international, have a negative impact on demand in the tourism market, and the impact of financial crisis on tourism demand is less significant. Ensuring the safety of the lives and health of tourists is key to keeping the demand for inbound tourism (David Airey & Myra Shackley, 1997; Gürgen, 1999). According to the Romanian Post doctorate Mirela Mazilu: "As a phoenix that rises again from the ashes, tourism constantly proves a remarkable ability to restore it and make it even more powerful and proves that it is a viable sector." Explaining the impact of the financial and economic crisis as a new opportunity for tourist mobility, she concludes: "This economic crisis presents not very clear conditions, but in the field of tourism, he is confident that the new state of mind necessary. History shows us that the most difficult periods were those that offered new possibilities "(BAKHTISHODOVICH et al., 2015).

For example, a number of possibilities and perspectives provided by the effects of the financial and economic crisis, many Russian scientists and specialists in this sphere point in the development of domestic tourism in the regions of the Russian Federation, which has a positive impact on the development trends of the national tourism market. According to MV Ephraim, "The crisis has left its negative impact on the development of tourism in Russia. At the same time, the crisis has led to a positive trend related to the increase in domestic tourist flow. In addition, there is another trend of tourism development in the crisis - the Russians have become more rested, self-organizing tourist travels "(Bizirgianni & Dionysopoulou, 2013).

According to many analysts the preferences of potential consumers of the national tourist product have moved to cheaper tourist products, so: "Despite the decline in demand in the market of tourism, caused by the global financial crisis, one of the factors that will limit the development of this market in the coming years, there is a shortage of hotels middle category in Moscow, which accounts for the bulk of sales in this market. Therefore, many experts of the industry argue that: "Because of the "elite" tourism should become available in the (development and promotion of mass, low-cost tours)".

## Methodology

In any economic indicator most often affects not one, but several factors. For example, the demand for a benefit is determined not only by the price of the goods, but the price of the substitute and complementary goods, consumer income and many other factors. In this case, multiple regression is considered.

$$\hat{y} = f(x_1, x_2, \dots, x_p) \quad (1)$$

Multiple regression is widely used in the study of demand factors, function of production costs in macroeconomic calculations, and a number of other economic issues. The main objective is to build a multiple regression model with a large number of factors, as well as to determine the effect of each factor separately and the total of their impact on the simulated index.

Building a multiple regression equation begins with a decision on the specification of the model. It includes two sets of problems: the selection factors and choose the type of a regression equation. To study the influence of the studied factors on tourism demand we decided to use the linear multiple regression model.

The most consumed and the most simple of multiple regression models is the linear multiple regression model:

$$y = \alpha' + \beta_1' x_1 + \beta_2' x_2 + \dots + \beta_p' x_p + \varepsilon \quad (2)$$

In a mathematical sense ratio  $\beta_j'$  in the equation (2) are equal to the partial derivatives of resultant variable  $y$  with respect to the relevant factors. The parameter  $\alpha$  is called the intercept, and determines the value of  $y$  in the case where all the explanatory variables are zero. At the same time, the value of each regression coefficient  $\beta_j'$  is an average change of  $y$  with increasing  $\varepsilon$  only one unit, provided that all other factors remain unchanged. The value of  $\varepsilon$  is a random error of the regression dependence.

Obtaining estimates of the parameters  $\alpha'$ ,  $\beta_1'$ ,  $\beta_2'$ , ...,  $\beta_p'$  regression equations (2) - one of the most important tasks of multiple regression analysis. The most common method of solving this problem is the method of least squares (OLS). Its essence is to minimize the sum of squared deviations of the observed actual values of the dependent variable  $y$  to its calculated values  $\hat{y}$ , obtained by the regression equation.

Then the calculated expression is:

$$\hat{y} = a + b_1 x_1 + b_2 x_2 + \dots + b_p x_p \quad (3)$$

Here  $a, b_1, b_2, \dots, b_p$  - the theoretical values of  $\alpha', \beta'_1, \beta'_2, \dots, \beta'_p$ , or empirical regression coefficients.

Thus, although in theory the regression model allows to take into account any number of factors, almost unnecessary. The selection is based on factors of quality theoretical and economic analysis. However, theoretical analysis often does not allow a clear answer to the question of quantifying the relationship treat the symptoms and whether to include factors in the model. Therefore, selection factors normally occur in two stages: in a first selected based on factors nature of the problem; the second - on the basis of the correlation matrix of indicators to determine the statistical regression parameters. Odds inter correlations (i.e. the correlation between the explanatory variables) allow the exclusion from the model of overlapping factors. It is believed that the two variables are clearly collinear, i.e. is interconnected in a linear relationship, if  $r_{x_i x_j} \approx 0,7$ . If the factors clearly collinear, they duplicate each other and one of them is recommended to be excluded from the regression. Preference is given in this case is not a factor, more closely related to the results and to factor that at sufficiently close connection with the narrowness of the result is the lowest due to other factors. This requirement appears specifies a multiple regression method as the study of complex influence factors in terms of their independence from each other. Today, there are many softwares (MS Excel, SPSS, STATISTICA, etc.), which enable effortless to construct a multiple regression equation.

When building a multiple regression equation, we have taken advantage of the software package SPSS. For the analysis of the aforementioned judgments, we used a set of macroeconomic indicators of the economy 70 countries in the context of 10 years. The scope of statistical sampling enabled us to be a set of macroeconomic indicators of the economy and the tourism industry in 70 countries, as well as the amount of consumption of the citizens of these national tourist product, as an index "entry of foreigners into the Republic of Uzbekistan with the tourist purposes" for the years 2005-2014 ("number of observations» n = 700) (Table 6).

**Table 6. The variables included in the scope of statistical sampling**

Dependent variable			
y	The number of foreigners entering the Republic of Uzbekistan as tourists (people).		
Variables			
x1	GDP in the analyzed state (billion USD)	x13	the dummy variable region "CIS"
x2	GDP per capita (US \$).	x14	the dummy variable region "Asia and Oceania"
x3	The share of gross savings to GDP(%)	x15	the dummy variable region "America"



<b>x4</b>	Unemployment rate(%)	<b>x16</b>	the dummy variable region "Middle East"
<b>x5</b>	Population (mln. people)	<b>x17</b>	the dummy variable region "Africa"
<b>x6</b>	Acceptance tourists thousand people	<b>x18</b>	The Reformed variable "Europe in Crisis"
<b>x7</b>	revenues from international tourism in millions of USD	<b>x19</b>	The Reformed variable "crisis in the CIS"
<b>x8</b>	The distance between (km)	<b>x20</b>	The Reformed variable "Asian in crisis"
<b>x9</b>	The share of gross investment in GDP (%)	<b>x21</b>	The Reformed variable "America in Crisis"
<b>x10</b>	the dummy variable "crisis"	<b>x22</b>	The Reformed variable "Middle East in crisis"
<b>x11</b>	the dummy variable "travel restrictions"	<b>x23</b>	The Reformed variable "Africa in Crisis"
<b>x12</b>	the dummy variable region "Europe"		

In regression models along with quantitative variables often use qualitative variables, which are expressed in the form of a fictitious (artificial) variable that reflect two opposite states of qualitative factors. Dummy (Eng. Dummy variable) - qualitative variable that takes the value "0" and "1" to be included in an econometric model to account for the impact of qualitative characteristics and events in the explanatory variables.

The sample data for the model, we included a number of dummy variables. For example, the variable "crisis" (in the period before the crisis is set to "0", respectively, after the crisis is set to "1") is used to determine the impact of variables on the dependent variable in the post-crisis period, and a dummy variable "travel restrictions" (country to which uses non-visa regime or simplified procedure of visa formalities at the entrance to Uzbekistan is set to "1", respectively, the rest of the country is taken as "0") is used to identify the positive effect of simplifying the visa formalities at the entrance to Uzbekistan.

In order to identify structural changes in the demand of the national tourist product data have been grouped under a fictitious factor "region" and their comparable impact on the dependent variable in the post-crisis period, it is possible to identify the factors converted using the "region in crisis." Some of the variables included in the regression equation not reflect the normal distribution or histogram, or the graph (for example, variables, such as y, x1, x5, x6), and also tend to increase. In cases where the distribution differs substantially from the normal, it is necessary to convert the data to bring them to a normal distribution.

To bring the data into a normal distribution, we used the logarithmic transformation of the data parameters. To check the overall quality of the regression equation using the coefficient of determination, R<sup>2</sup>, this is generally calculated as follows:



$$R^2 = 1 - \frac{\sum e_i^2}{\sum (y_i - \bar{y})^2} \quad (4)$$

It shows how in steam regression, the proportion of the total variance Y, the explained by the regression equation. Its value is between zero and one. The closer this coefficient is to unity, the more the regression equation explains the behavior of Y.

For multiple regressions, R2 is a non-decreasing function of the number of explanatory variables. Add a new explanatory variable never decreases the value of R2. Indeed, each variable can be explained only supplement, but not to reduce the information explaining the behavior of the dependent variable. An analysis of the statistical significance of the coefficient of determination is based on checking the zero - hypothesis H0: R2 = 0 against the alternative hypothesis H1: R2 > 0. To test this hypothesis, we use the following F - statistics:

$$F = \frac{R^2}{1 - R^2} \times \frac{n - p - 1}{p} \quad (5)$$

The F when the prerequisites for MNCs and justice zero - hypothesis has a fisher distribution. From (5) we see that, F and R2 indices equal or not equal to zero simultaneously. If F = 0, R2 = 0, and the regression line  $y = \bar{y}$  MNE is the best, and therefore the value of y is linearly dependent  $x_1, x_2, \dots, x_p$ . To test the null - hypothesis at a given level of significance  $\alpha$  of the critical points of the distribution tables Fischer is critical  $F_{tbl}(\alpha; p; np-1)$ . If  $F > F_{tbl}$ , zero - hypothesis is rejected, which is equivalent to the statistical significance of R2, that is,  $R2 > 1$ .

The statistical significance of the parameters of multiple linear regression with p factors checked on the basis of t - statistics:

$$t_{b_j} = \frac{b_j}{m_{b_j}} \left( \text{ort}_\alpha = \frac{\alpha}{m_\alpha} \right) \quad (6)$$

Where the value of  $m_{b_j}(m_\alpha)$  it is called the standard error of the parameter.

Obtained by the expression (6) t – statistics for the corresponding parameter has a t-distribution with degrees of freedom (n-p-1). When a desired level of significance  $\alpha$  this statistic is compared to the critical point of the Student distribution  $t(\alpha; n-p-1)$  (bilateral).

If  $|t| > t(\alpha; n - p - 1)$ , the corresponding parameter is considered to be statistically significant, and the zero - hypothesis in the form  $H0: b_j = 0$  or  $H0: a = 0$  rejected. Otherwise Впротивномслучае  $(|t| < t(\alpha; n - p - 1))$  this option is statistically insignificant, and zero - hypothesis cannot be rejected.

Strict checks relevant parameters can be replaced by a simple comparative analysis:

- Ø If  $|t| \leq 1$ , as  $b_j < m_{b_j}$ , the coefficient is not statistically significant.
- Ø If  $1 < |t| \leq 2$ , as  $b_j < 2m_{b_j}$ , the relatively significant factor. In this case, it is recommended to use the table of critical points of the t-distribution.
- Ø If  $2 < |t| \leq 3$ , the coefficient is significant. This assertion is guaranteed at  $(n-p-1) > 20$  and  $\alpha \geq 0.05$ .
- Ø If  $|t| > 3$ , the coefficient is considered to be highly significant. The probability of error in this case, a sufficient number of observations does not exceed 0,001.

Results the analysis revealed significant factors shaping the demand for the national tourist product in the Republic of Uzbekistan. The following factors have illustrations of the major factors while considering deployment of tourism in the region and tourist destinations as whole:

**Table 7. Significant factors shaping the demand for the national tourist product**

Factors	Non-standardized coefficients		Standardized coefficients	Statistics	p-volume
	B	Standard error			
Constant	18,654	2,232		8,358	1,2E-15
$x_1$ GDP (billion USD)	1,397	0,247	0,695	5,650	3,1E-8
$x_2$ GDP per capita (billion USD)	-5,293E-5	1,1E-5	-0,349	-4,729	3,1E-6
$x_4$ Rate of unemployed people (%)	-0,079	0,029	-0,107	-2,742	0,006
$x_5$ Population (million people.)	-0,377	0,229	-0,169	-1,646	0,105
$x_6$ Tourist arrival (thousand people.)	0,381	0,115	0,174	3,299	0,001
$x_9$ Total investment (%)	2,9E-4	3,3E-4	0,033	0,866	0,387

$x_8$	Distance (km)	-2,794	0,271	-0,491	-10,316	3,8E-22
$x_{10}$	«crisis»	0,542	0,269	0,074	2,013	0,044
$x_{11}$	Visa restrictions	1,504	0,248	0,226	6,066	3,2E-9

To identify strategic segments of the national market of tourist services, we have been revealed comparative impact factor "region" on the dependent variable. In the calculation of one of the variables "region" is not included in the equation (in this example, the variable "CIS"), and will serve as a comparative factor for the other factors of "region". This method will make it possible to analyze the relative importance (in comparison with the loss of a variable) variables included in the equation of "Europe", "Asia", "America", "Middle East", "Africa" in the formation of the demand in the national market of tourist services. The results of this analysis are shown in Table-8 as an analysis of study:

**Table8. Comparable analysis of the impact of geographical regions on the demand for the formation of the national tourist product**

Factors		Non-standardized coefficients		Standardized coefficients	t-statistics	p-volume
		B	Standard error			
$x_{12}$	«Europe»	-1,576	0,483	-0,240	-3,261	0,001
$x_{14}$	«Asia and Oceania»	-0,192	0,500	-0,026	-0,384	0,701
$X_{15}$	«America»	-1,285	0,800	-0,096	-1,607	0,109
$x_{16}$	«Middle east»	-3,620	0,828	-0,175	-4,375	1,5E-5
$x_{17}$	«Africa»	-2,307	1,572	-0,062	-1,467	0,143

To determine the effects of the geographical regions of the world demand for the formation of the national tourist product of the Republic of Uzbekistan in the post-crisis period, the sample model, we were excluded factors "region" and in turn transformed the factors included "region in crisis." At the same time when the single factor "region in crisis", excludes other similar.

**Table9. Analysis of the impact on the regions of the world trends in the development of tourism in Uzbekistan**

Factors		non-standardized coefficients		Standardized coefficients	t-statistics	p-value
		B	Standard error			
$x_{18}$	«Europe in crisis»	-0,721	0,366	-0,106	-1,969	0,050
$x_{19}$	«CIS countries in crisis»	1,173	0,474	0,115	2,475	0,014
$x_{20}$	«Asia crisis»	0,832	0,390	0,096	2,136	0,033
$x_{22}$	«Middle East crisis»	-3,266	0,894	-0,133	-3,654	2,9E-4
$x_{21}$	«America is in a crisis»	-0,814	0,731	-0,045	-1,114	0,266
$x_{23}$	«Africa is in a crisis»	-1,397	2,438	-0,022	-0,573	0,567

**Table-10. Assessment criteria of quality and relevance of the model**

R	R- quadrate	Adjusted R-quadrante	Error rate	F	p-value
0,729 <sup>a</sup>	0,531	0,515	2,28590	32,455	2,1E-53

Based on the 8-,9-,10 tables we present a summary of the model:

- The national tourist product of the Republic of Uzbekistan prefers more foreign tourists from countries with lower GDP per capita, compared with countries with higher levels of this indicator;

- The demand for a national tourist product presented more foreign tourists from countries which themselves most frequently visited by foreign tourists;
- One of the main factors affecting the visit to Uzbekistan of foreigners with tourist purposes is the remoteness of the country of their residence from Uzbekistan (an increase of 1% of the distance reduces the number of visitors to the Republic of Uzbekistan to 2.79%);
- Financial and economic crisis had a positive impact on the overall quantitative indicators of tourism development in Uzbekistan, but in the context of some regions of the world is the effect of negative (in the post-crisis period, the countries of Europe and the Middle East had a negative impact on the formation of tourism demand in the national tourist market of Uzbekistan, while the impact of the CIS countries and the countries of Asia is positive);
- Analysis confirmed our hypothesis about changing the structure of demand on the national tourism market after the crisis (tourism geography has changed);
- Comparative analysis showed a negative effect on the dependent variable of other factors "region" as compared to the factor "CIS region";
- As can be seen from the model, increase the level of unemployment in the countries around the world results in a loss of potential consumers of the national tourist product of the Republic of Uzbekistan;
- A simplified procedure for the visa regime has a positive effect on the formation of the demand for a national tourist product of Uzbekistan.

### ***Key findings***

Thus, from the above analysis, the following conclusions:

- tourism - a sector that will determine the development of the global and national economy in the coming decades;
- the national tourism market is an integral part of the global world economic system, the trend of development of the national tourism industry directly and indirectly dependent on trends in the development of world tourism, as well as proceed from the territorial peculiarities of the country;
- study of trends in the development of the tourist market is an important aspect, both internationally and at the country level, as well as certain regions;
- on in the world today there is a tendency of exceeding the number of journeys carried out directly in the neighboring countries or regions over the next number

of trips to long-haul and transcontinental directions, which is reflected in the latest trends of international tourism in the Republic of Uzbekistan;

- we believe that the financial and economic crisis has affected the development of international tourism through impacts on the financial and economic well-being of the population of the world;
- the financial and economic crisis has affected the preferences of consumers of tourist services, and led to structural changes in demand in the market of tourist services;
- tourism enterprises need to develop tours to suit the needs of potential users of the national tourist product;
- organizing tours program must comply with the changing geography of tourism over the past year;
- necessary to carry out continuous market research in order to identify the underlying consumer preferences unorganized tourism;
- need to develop a marketing strategy taking into account the peculiarities of development trends of international tourism.

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## GLOBALIZATION AND INDIAN RURAL MARKET

Sunil Kumar V. Chaudhary<sup>1</sup>

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### ABSTRACT

*The Indian rural market is much larger when compared to the urban market in terms of population and number of households, and also by way of geographic dispersal. The rural market consists of about 100 million households with a population of around 700 million. According to the National Council of Applied Economic Research (NCAER), with about 74% of its population living in its villages, India has perhaps the largest potential rural market in the world.*

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### Introduction

There is growing realization among marketers about the enormous untapped potential of India's rural markets. The Indian rural market with its vast size and demand base offers great opportunities to companies. Two-thirds of the Indian population lives in rural areas and almost half of the national income is generated here. It is only natural that rural markets form a critical part of the total market in India.

### Rural Market at a Glance

The Indian rural market is much larger when compared to the urban market in terms of population and number of households, and also by way of geographic dispersal. The rural market consists of about 100 million households with a population of around 700 million. According to the National Council of Applied Economic Research (NCAER), with about 74% of its population living in its villages, India has perhaps the largest potential rural market in the world. It has as many as 47000 Haats (congregation markets), compared to 35000 supermarkets in the United States. In addition to this, of the total FMCGs demand in India, nearly 53% comes from the rural market. For consumer durables, the figure is 59%.

But the rural areas are characterized by low per capita income, low literacy, and agriculture dependent economy and low level of industrialization. These characteristics of rural India limit its capacity for consumption of goods and services. In recent times, however, the scene has changed considerably due to the rapid progress achieved in agriculture development and allied activities such as animal husbandry, sericulture, horticulture and the encouragement given to the rural and cottage industries.

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<sup>1</sup> Faculty, SEMCOM University, V.V.Nagar Anand, Gujarat

### Reasons for Shift in Rural Market from Urban Market

- **Saturation in the urban market:** Organizations are finding it difficult to grow further in urban markets since they have now already catered to the critical mass of consumers.
- **As Urban India Grows,** it needs more help from rural areas. When the new immigrants travel back home, they carry with them stories of urban lifestyles. Awareness is thus created in potential markets.
- **Increase in Aspirations and Expectations of Rural Consumers:** The rural folks are constantly being bombarded with the exposure to urban life style via communication media's like television and telecommunications.
- **Improvement in Rural Infrastructure:** Better connectivity network with urban cities via rail, road etc and improvement in other infrastructure like telecommunication make rural markets easily accessible.

### The Changing Rural Market

- The rural market is the new driving force of the 'Indian Consumption Story', with only 31.16% of the Indian population living in urban areas and 68.84% residing in villages (Census 2011), it is only a matter of time before rural India takes its rightful place in the Indian growth story. By virtue of their numbers, the poor represent a significant latent purchasing power that must be unlocked (Prahalad, 2006). Additionally as a result of rising non-farm employment opportunities coupled with government initiatives (such as MNREGA) and private initiatives (such as ITC's e-chaupal, HUL's project Shakti, etc.), the rural consumption growth rate in India has now surpassed that of urban India (CRISIL Report 2012). The consumption pattern of rural consumers is also undergoing a shift.
- In 2001, the per-capita monthly expenditure increased to Rs.486 in rural areas and to Rs. 855 in urban areas.
- Latest data put out by the ministry of statistics and programme implementation show monthly per capita expenditure (MPCE), measured in terms of uniform reference period, for urban areas rising to Rs 2,399.24 in 2011-12 from Rs 1,785.81 in 2009-10. Rural MPCE rose faster to Rs 1,278.94 from Rs 9,27.70 during the same period. (Source:[www.financialexpress.com/.../per-capita-expenditure...rural.../1131893](http://www.financialexpress.com/.../per-capita-expenditure...rural.../1131893))

### Challenges of Rural Marketing

- The problem of physical distribution and channel management adversely affect the service as well as the cost aspect in rural marketing. The existing market structure consists of primary rural market and retail sales outlet. The

structure involve stock points in feeder towns to service these retail outlets at the village levels. But it becomes difficult maintaining the required service level in the delivery of the product at the retail level.

- In the area of communication companies have perhaps failed to recognize that a rural consumer may be buying a particular brand or even the product category itself (particularly durables) for the first time. There is a strong need to build assurance and trust about product quality, service support and company credentials in the minds of rural consumers. This is best done through the face to face “below the line” touch, feel and talk mode at haats, melas and mandis.
- The rural market, being intensely price-sensitive in comparison to urban markets, reaching them at a lower cost is a major challenge.
- High distribution costs due to wide spread geographical dispersion of the rural population.
- Inability of the small retailer to carry stocks without adequate credit facility.
- Mass communication and promotion problems due to linguistic and accessibility barriers. The constitution of India recognizes 18 official languages, & there are 1700 dialects.
- Inadequate Infrastructure facilities.
- Acute dependence on the vagaries of the monsoon.

#### **Rural Initiatives by Various Corporate**

- **The State Bank of India:** The SBI has started a zero-balance bank account for villagers. Called the SBI Tiny account, there are no physical branches or officials, just a paid volunteer who is equipped with a small box and cell phone. The box enables biometric measurements (fingerprints), at the time of opening the account to confirm the account holder’s identity. The cell phone enables communication with the zonal office to check on available balance. Payments under programs such as the NREGS and pensions are made directly to these accounts. The advantage for the villagers is that they can withdraw money from their accounts at any time.

#### **HLL’s Project Shakti: Changing lives in Rural India**

- Hindustan Unilever’s Project Shakti is a rural initiative that targets small villages populated by less than 2000 individuals. Project Shakti impacts society in two ways – the Shakti Entrepreneur program creates livelihood opportunities for underprivileged rural women and Shakti Vani program improves quality of life by spreading health and hygiene awareness.

### ITC's E-Choupals

Choupal is the Hindi word for the village square (normally under a tree), where elders meet to discuss matters of importance. 'E' stands for a computer with an internet connection and is the farmer's window to the world outside his village. ITC installs a computer with a VSAT Internet connection in selected villages. A local educated farmer called sanchalak or conductor, operates the computer on behalf of ITC. He is not paid for his services but gets a commission on all transactions.

At the e-choupal, farmers are offered services like daily weather forecasts and price of various crops in the local market free of cost. They can download information about farming methods specific to each crop and region through an arrangement with agriculture universities. They can buy seeds, fertilizers, pesticides and even bicycles, tractors and insurance policies. Over 35 companies currently sell their products through the network. Villagers can also sell the produce to a central hub location called a 'choupal sagar'. ITC agri-sourcing centers provides farmers a transparent best price sales window. Shopping centers bring a range of products comparable to urban levels of choice and facilitation centers delivering a host of farm-related services-training, soil testing, product quality certification, medical and clinical services, and cafeteria and fuel station.

### Conclusion

Rural Marketing has unique challenges and in the age of globalization characterized by intensified competition requires innovative solutions. In an era where major economies of the world are facing the problem of recession and huge debt compared to their gross domestic product, innovation in management practices is the need of the hour.

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## CONCEPTUAL BASES OF THE STUDY OF THE CRISIS AND LIQUIDITY OF COMMERCIAL BANKS

Altinbek Yangibayevich Abdullaev<sup>1</sup>

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### ABSTRACT

*The article presents the methodological and methodical basis of research analysis to overcome the banking crisis and regulate the liquidity of commercial banks. The focus for the assessment of foreign experience of overcoming banking crisis as the comparative characteristics. A comparison of the banking crisis with the related categories of banks. Proposed allocation of integral and differential approach to the assessment of the crisis banks. We consider the factor approach to the assessment of the banking crisis sectoral, regional, national and international levels. Multiplicative model was developed to estimate the level of the crisis of the commercial bank.*

**Keywords:** *overcome the banking crisis, controlling the liquidity of commercial banks, the assessment of foreign experience, the multiplicative model, the insolvency of economic entities.*

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### 1. Introduction

The term "banking crisis" is very prevalent among the experts on finance and banking, as well as in literature and regulatory documents. However, despite its prevalence, there is no ambiguity, even in the interpretation of the content of this term, as well as the method of assessing the level of the banking crisis. The practice, as often happens, is a few ahead of theory. The objective assessment of the banking crisis is complicated by the fact that in the most perfect form requires a comparison of banks from different regions and even countries.

A situation requiring improvement methodology and framework study of crises so that the practice was a decent theoretical base. Formation of methodological support assessment of the banking crisis and regulate the liquidity of commercial banks in Uzbekistan is at the initial stage of development of conceptual frameworks. The crisis is the category of economic theory, so their contents must be the same - in the field of finance matter regarded banking crisis. Make recommendations on the study of the crisis banks in economic theory does not.

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<sup>1</sup> PhD, Jizzakh Polytechnic Institute, Uzbekistan Phone: (+ 99893) 306-85-85  
e-mail: [oltinbek60@gmail.com](mailto:oltinbek60@gmail.com)



According to economic theory, the crisis - is an inevitable market reaction to the imbalances in the economy, or any of its sector, common features, "symptoms of the disease " that are illiquid and insolvent businesses. This crisis is seen as an activity. The use of this term in finance involves the understanding of the content and competitiveness of its specification for a particular purpose.

It is known that the system developed by the laws of cycling, one of the phases of its development is the crisis. With the general theoretical point of view, the "crisis" implies, first of all the qualitative changes in the system - the appearance and disappearance of the first elements of the composition, relationship. Deterioration of quantitative systems usually associated with the pre-crisis situation, the emergence of qualitative changes is a sign of crisis.

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A situation requiring improvement methodology and framework study of crises so that the practice was a decent theoretical base. Formation of methodological support assessment of the banking crisis and regulate the liquidity of commercial banks in Uzbekistan is at the initial stage of development of conceptual frameworks. The crisis is the category of economic theory, so their contents must be the same - in the field of finance matter regarded banking crisis. Make recommendations on the study of the crisis banks in economic theory does not.

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It is known that the system developed by the laws of cycling, one of the phases of its development is the crisis. With the general theoretical point of view, the "crisis" implies, first of all the qualitative changes in the system - the appearance and disappearance of the first elements of the composition, relationship. Deterioration of quantitative systems usually associated with the pre-crisis situation, the emergence of qualitative changes is a sign of crisis[4].



The pre-crisis situation is characterized by a sharp decline in production, which begins with the gradual narrowing, reduction in business activity. Unlike the crisis of the imbalance between supply and demand for any particular product or industry as a whole it is that there is a general overproduction, falling prices accompanied by the collapse of banks, enterprises stop, the growth of interest and unemployment. The financial crisis suggests the emergence of qualitative changes in the economic system, which lead to a breach of the proportions in the development of the suspension, modification or destruction of the financial system of individual countries, or international markets in general. The clearest indicator of the health (or illness) economy is the financial market. Financial market reaction to economic events are always more significant than the impact of the events. The financial crisis is the point of reference with which the economic system is undergoing changes. If, before the financial crisis, some of the trends in the economy can only accumulate the financial crisis reinforces this trend accelerates qualitative changes.

The main reasons for the emerging crisis tendencies in the economy and the banking system, in our opinion, have been associated with the negative impact of external factors and deep internal reasons.

Overcoming the crisis and resolution of banks' liquidity - a highly complex problem, before the bodies of monetary regulation. According to a study of banking crises, conducted by experts of the World Bank, the causes of crises occurring in the majority of countries are as follows: firstly, the shortcomings in regulation and supervision and, secondly, the shortcomings in the management of banks. Note that modern banking crises foreign experts are often considered as a universal phenomenon, the overcoming of which is dependent on improving the regulatory and control technology. This is only partially true, in terms of the forms of crises. So, there is a division on the latency, system, local crisis. The biggest problem for the classification of a systemic crisis. International experts to determine the systemic crisis is considered sufficient when one of the following events:

- The ratio of non-performing assets to assets greater than 10%;
- The cost of bailing out banks will be at least 2% of GDP;
- The problems of the banking sector resulted in a large-scale nationalization banks;
- There has been a massive exodus of investors, or in response to the crisis the government is taking emergency measures in the form of freezing of deposits, extended bank holidays.

Along with the form of manifestation of the crisis, it is important to properly assess the nature of the crisis. Banking crises are universal only in the context of accounting, regulatory, control technology decision-making at various levels and are unique in their national and moral and psychological nature.

For countries that have experienced banking crises, the most characteristic of the following problems in the regulation of bank liquidity:

- 1) Inadequate and untimely response to the problems in the banking sector;
- 2) Inadequate legal framework for the activities of all entities of the banking system as regulators and banks;
- 3) Inefficient system of deposit insurance;
- 4) Deficiencies in the assessment of the financial situation and other troubled banks.

The conditions suddenly emerged and rapidly growing crisis raises the question of how quickly the authorities monetary authorities are able to identify the vulnerable links in the banking system, as well as to develop the criteria by which they will be able to take active steps to restore the stability of commercial banks

This problem affects all the instruments of monetary control, both direct and indirect effects. During banking crises are more frequently become ineffective to maintain an optimal level of liquidity of commercial banks. Tools indirect effects have become less effective in foreign countries because of the increased risk of bank portfolios and non-uniform segmentation of the inter bank market. Tools of direct impact, such as quantitative restrictions, not only efficacious due to poor control on the part of monetary authorities (for example, if the banks exceed the permissible value of non-performing loans and increase interest rates within credit restrictions imposed). Therefore, development of crisis management tools is a priority of stabilization policy of the central bank.

It is very difficult to distinguish between the methods and tools used by the state to overcome the crisis, including those aimed at resolving the liquidity of commercial banks. For example, you can classify all the measures taken by the central bank, depending on: 1) *strochnosti*- short, medium, long-term; 2) the economic substance - the anti-crisis measures, the recapitalization, restructuring.

This division is rather arbitrary, and is associated with an attempt to analyze the priority anti-crisis measures to be taken by the central bank for the settlement of bank liquidity, restore normal operation of the banking sector. Any of the above actions contributes to eventually increase the liquidity of the banking system. However, in a crisis the relationship of the Central Bank to commercial banks to maintain an optimal level of liquidity qualitatively transformed, as the recovery of the banking system requires the solution of diverse problems.

To date, the international banking practice has already gained experience. Thus, in the framework of the European Monetary System has developed a package of measures, among which are the two major groups: fine-tuning operations and structural operations.

By fine-tuning operations are:

- Credit (deposit) operations carried out in high-speed mode, notified of the planned operation a limited number of potential counterparties, and the whole procedure takes no more than 1 hour;
- Bilateral operations either in the form of credit and deposit operations or operations of the forward and reverse repurchase agreements (with a limited number of partner banks in the pre-specified conditions);
- Swaps - the simultaneous conclusion of spot and forward deal on the sale of an international reserve currency.

Structural operations include:

- Issue discount debt obligations of the ECB in order to eliminate excessive liquidity reserves (with a maturity of securities the ECB can not be more than a year, the production and storage is provided in the book-entry form in securities depositories Economic Monetary Union);
- Outright transactions, which represent the final purchase and sale acceptable to the ECB's assets (the first, the most liquid category) operations are conducted in order to adjust the structural position of the euro money market through bilateral transactions on the secondary market and by means of exchange and OTC brokers.

Within the framework of the European currency area of fine-tuning operations and structural operations are not carried out to date, while in other countries, victims crisis, some of them are widely used (Table 1).

**Table number 1. Monetary instruments used in times of banking crises in the various countries**

Countries	State regulation of banking instruments
Argentina	Repose in pesos or dollars in 1994-1995. Discount and swap transactions in US dollars in 1994-1995.
Estonia	Central Bank debt issuance in May 1993 (in order to increase the provision for the banks operating in the interbank market). Reduction of reserves in order to maintain long-term liquidity
Latvia	Debt liabilities of the Central Bank, issued in 1995 (to counter the flow of funds).

	Transactions with treasury bills (to regulate short-term liquidity)
Lithuania	Treasury debt issued in July 1994. The 1- and 3-month. Government deposits with the Central Bank fully secured by foreign currency
Paraguay	Debt liabilities of the Central Bank for open market operations (OSM) discount tools
Philippines	Debt liabilities of the Central Bank for transactions in the securities market, swaps and instruments re-discounting
E la Venecia	Debt liabilities of the Central Bank for transactions in the securities market, tools re-discounting

Given the nature of the anti-crisis tools fine-tuning and structural operations, it should be noted that they are intended for short-term liquidity injections or withdrawals it unnecessary parts. The procedure for the use of these instruments is not standardized, in addition, the number of participants is limited for operations, information about the volume and conditions of the usually closed.

## **2. The fundamental approach to the assessment of foreign experience in overcoming the crisis as liquidity and regulation banks**

The successful settlement of the banks' liquidity as a priority, due not only to the choice of the specific instruments and measures. The bodies of monetary regulation is necessary to promptly take important decisions without having all the information about the state of the banking system. This slow response regulators contributes to the widespread crisis processes in a short period of time. Most problematic nature becomes a mechanism of refinancing.

In times of crisis Central banks tend to activate the process of lending, that is providing short-term loans in order to prevent problems with the current liquidity in healthy banks and long-term purpose loans for the restoration of the troubled banks.

The effectiveness of the mechanism of refinancing, in addition to the difficulty of recognizing illiquid banks, related to the problem of adverse selection and moral hazard. Unjustified 'injection of liquidity' 'can lead to the fact that the funds will be channeled into speculative assets, and affiliated loans. Government monetary authorities may lose control over the economic situation, as happened in Venezuela in 1994-1995. and in Paraguay in 1995 (where the rapid expansion of loans Central Bank of troubled banks has led to the loss

of control of the money supply in circulation). In countries with a special regime of monetary control (NEA - Currency Board Agreement) refinancing instruments were used, the scale of which regulators had to expand during banking crises. This, in particular, was Argentina, where they have been revised several times. Additional lending mechanism has been introduced to replace the limited ability of the Central Bank to support the liquidity of the bank in accordance with the law of free international exchange. This mechanism involves the creation of several reliable networks, excluding the Central Bank, and provided for the supply of loans troubled banks.

In Sweden, troubled banks provided substantial loans at reduced interest rates, Mexico's central bank opened a special credit line of problem banks in the form of unsecured loans in Chile provides interest-free loans and concessional.

Policy 'liquidity injections' is the first immediate measure of monetary control. With the loss of liquidity of commercial banks, financial support, as a rule, it first receives from the Central Bank, and then other funding bodies (insurance funds, Agency for rehabilitation and restructuring, other similar organizations). We join the opinion of the experts, who believe that the financial support provided by the commercial banks should cover only their short-term need for liquidity, and rescue insolvent banks should not be an exclusive function of the Central Bank.

Difficulties lender of last resort are starting to take a critical character when the accumulated problems in the regulation of banks' liquidity quickly escalate into a crisis of solvency. In this case the situation goes out of control zones liquidity in a much more complex area of control, scope, criticality, the depth of the problems which is clearly beyond the scope of competence of the lender of last resort. However, it should be noted that even in those countries where monetary policy was quite successful (for example, Danin, Spain), the central bank kept insolvent banks. First of all, it was due to the need to prevent the crisis Stu entire payment system.

With similar complexity faced and foreign countries. As an illustrative example we give the experience of Spain, who, having overcome the banking crisis 1978-1984, was able to provide real guarantees of compliance with the requirements of legislation and strengthen the culture of credit relations.

The banking crisis in Spain has been classified by the Spanish experts as a vast, sweeping 110 institutions, including 59 banks, 14 savings banks and 37 credit cooperatives (ie all categories of credit institutions). A superficial analysis of the development of Spanish and Russian banking system traced the similarity of the transition from authoritarian trends hard to control radical liberalism. However, the liberal reforms in Spain, unlike in Russia, carried out in the economy, which had a market nature, despite the fact that it was the state are inherent features of the distribution system, particularly in the credit sector. As rightly

pointed out V.M. Novikov, the evolution of the Spanish banking sectors wrongly associated with the transition from a dictatorship to a democratic form of political rule. Overall, reforms in the banking sector in Spain were connected with the transition from distribution technology to manage credit resources to the management of financial risk on the basis of bank autonomy.

Spanish crisis of 1978-1984 years, was the crisis of legal norms, it is absolutely obsolete and inadequate new phenomena and trends about banking sector. By the beginning of the crisis in the country continued to operate the laws of 32 -years old; the law on banking regulation of 31 December 1946 and decree on the nationalization and reorganization of the Bank of Spain on 7th June of 1962, which only increased the difficulty of control and supervision of banks.

Due to the weakness of the legal framework in the banking sector emerged the statement "the owner of the debtor." Shareholders owning a controlling stake, is increasingly becoming the major debtors. There have been numerous cases of collusion between debtors and creditors. In the words of Spanish lawyers, lenders were "machine for the expenditure of money to meet the endless needs of its owner," is a bad owner and even worse manager.

The major causes of the banking crisis were the low level of professionalism in the field of credit risk management and the lack of rules governing the transfer of rights (controlling interest), as well as changing the status of bank owners.

Especially other violations observed during operations related from the transfer of capital controls. This operation is often funded by the institution acquired through direct loans to the shareholder or by cross-loans with another bank. The reason for failure of many banks was connected precisely with operations of this kind. These transactions were in fact the mechanism of the use of funds of depositors and clients to enrich the owners of banks. Of paramount importance in the management of the bank portfolio acquired subjective risks associated with moral banker.

With the process of accession of Spain to the European Community, the situation has largely changed for the better. The law defines the powers and responsibilities of supervising banking activities, must contain the wording, which is designated a direct link with the competency assessment of subjective factors that determine the social and ethical image of the banker, as the manager and owner of the bank. Thus, the ethical categories are a necessary part of the legal law. In particular, directive of EU from 12 December 1977 requires that the composition of the governing bodies of a credit institution there were at least two people with sufficient professional experience and a high degree of integrity. This requirement is reflected in the Spanish royal decree of July 14, 1995.

The most detailed legal interpretation of the ethical categories is reflected in the disciplinary code of the Spanish bankers' Discipline and the activities of credit institutions.

" This document allowed the regulatory authorities to determine the nature, boundaries and size of sanctions, restrictive measures including a lifetime ban on commercial activities, not only in the national framework, but also internationally.

Due to the disciplinary code, formally restrictive activities of regulatory bodies has become a really effective mechanism, forcing makers to make financial commitments, to act within the law. In addition, this document is formulated important condition for ensuring the liquidity of individual credit institutions and the banking system as a whole (where the central bank acts as the main link). Banking Professionals are committed to prudent risk policies, which do not harm investors, creditors, customers, and other persons having indirect losses from inappropriate risk banking operations.

The introduction of the disciplinary code is essentially to provide legal conditions for determining the personal responsibility of officials. He became an indispensable condition for the objectivity of the courts in decisions on liquidation of the bank, level of damage, the degree of guilt, the amount of penalties and others.

For the banking practices of the above example is not only revealing but also requires the adoption of urgent measures for the introduction of the category of moral hazard, bankers in legislative acts, the development of the disciplinary code banker.

### **3. A practical approach to evaluating the effectiveness of the existing system of insurance of bank deposits.**

One of the most pressing problems of regulation of banking liquidity crisis was the efficiency of the existing system of insurance of bank deposits. Market economy from the period of the Great Depression, several decades have not faced a systemic banking crisis, the failure of a significant part of the national banking system. This fact gave reason to the experts and politicians for a long time to maintain confidence in the effectiveness of monetary regulation of the banking system, including the system for the protection of bank deposits[2].

The problem of banking crises has become particularly acute in the last twenty years. As international experience shows, the insurance system does not remove this problem in different countries, and sometimes contribute to the increase in losses during the banking crisis. This is due to the fact that banks operate under relaxed constraints. In such a situation there is no sudden large-scale bankruptcies and credit breaks ties, the banking crisis may occur in a latent form, expressed in the progressive deterioration of the financial situation of banks and credit quality. Sooner or later, the state has to solve the problems of the banks. At the same time the company may incur losses not only in the face of investors, but also in the face of all taxpayers functioning insurance system of bank deposits have a negative impact on the process is, the allocation of resources and the level of bank liquidity in a number of circumstances[5, 6].



1. Banks take excessive risks in operations, knowing that losses will be repaid.
2. Depositors do not withdraw deposits even from troubled banks; insolvent banks play on depositor confidence and continue to attract deposits.
3. Banks with insured benefit liability in competition with other banks, possibly with a healthier financial situation.

As a result, financial resources are allocated inefficiently; growing banking risks and, ultimately, the loss for the economy may not be less than from a bank panic.

Similar phenomena in the banking systems of different countries take place on a number of objective and of legitimate reasons:

- Inefficient system of diagnosis of the financial situation of banks and weak system of control over their activities;
- Failure to comply with the requirements for capital adequacy or lower requirements;
- No special requirements for the qualification of managers banks;
- The absence of personal responsibility of managers for losses;
- Protracted and complex bankruptcy of insolvent banks.

The accepted practice of deposit insurance systems of different countries has several objectives.

1. The increase in the liquidity of individual credit institutions and the banking system as a whole
2. Reducing the number of bank failures.
3. Removing social tensions: investors get confidence the safety of their funds. The social value of insurance is particularly pronounced in the case of the introduction of a period of deep economic and political crisis.
4. The system of deposit insurance, as a means of insuring systemic risk to some extent solves the problem of bank panics.
5. Providing better conditions in terms of general economic interest for the procedures of bank failures (when it becomes inevitable).

In international practice, there is a division of insurance schemes into two main types - explicit - explicit (ie formal, open) and implicit (unformal hidden). This classification is given by experts of IMF. Foreign economists Alexander Kyei when analyzing insurance systems around the world using the division into formal and informal systems. However, attempts to classify the deposit insurance system have taken place in Russian



literature. Detailed classification of deposit insurance systems for a variety of options with their advantages and disadvantages presented by the Russian economists – G.S.Panova and I. V. Larionov.

I. L. Bubnov distinguishes three types of device insurance systems, depending on the tasks set before the system: first, customer deposits insurance system, acting in accordance with the rules of insurance activity; secondly, the system of guarantees, have greater flexibility in the set of measures on improvement of the bank's claim, thirdly, mixed system, which includes elements of the above two systems.

The study of foreign practice of insurance of bank deposits in various parts of the world (100 countries) allowed to give a more detailed description of the main types of systems; formal - explicit, and non - implicit.

Informally referring to the deposit insurance system Prisu and usually the following features.

1. The lack of legislative framework, providing legal responsibility. Financial assistance is carried out in accordance with past practice, or at the request of officials.
2. The lack of the necessary rules related to the scope and types of compensation. Financial assistance in the event of insolvency is selectively.
3. The absence of a specific fund for financial assistance.

Benefits informal deposit insurance system consists in the fact that large and small depositors are protected equally, and the state does not have to organize the insurance fund.

Among the disadvantages of this type can be identified such as:

- The decision on rehabilitation of the bank depends on the proportion of state involvement in the this bank, privately troubled banks, as a rule, does not receive financial assistance;
- Tax payers bear the bulk of the restoration costs the liquidity of the banking system;
- Government alone decides on the bank bankruptcies.

In contrast to the informal system, formal system of insurance of bank deposits clearly provides legal, administrative, financial terms of the functioning of a number of legislative acts and laws: the Constitution, the Law on the Central Bank Act, the banking system, the Law on financial (credit) organizations. Typically, the state determines:

- 1) The types of institutions and deposits subject to insurance;
- 2) Border security: - limits on insurance premiums;

- limits of insurance payments;

- 3) Right - governance and participation;
- 4) The procedure for financing;
- 5) Conditions neplatezhnesposobnosti;
- 6) The procedure and bankruptcy banks.

In the study of foreign experience were the following groups of countries: Africa, Asia, Europe, the Middle East and some countries in the western hemisphere.

Most industrialized countries (Britain, France, the Netherlands, Italy), began to use a formal deposit insurance system since 80-s after the banking crises. Some countries have abolished the existing deposit insurance system (Argentina, New Zealand) and introduced more stringent standards and limits the activities of banks in order to make investors, managers and owners of the banks more accountable for their actions. For example, Argentina's central bank law of 1992 has abolished the state system of guaranteeing bank deposits (in accordance with the policies of austerity and rigid disclosure requirements). However, in April 1995 after a massive withdrawal of bank deposits (as a result of the devastating impact on the Argentine banking system, the Mexican crisis) has developed a new system of insurance of bank deposits and established a fund to guarantee deposits, the source of funds which were exceptionally contributions of credit institutions, and the management of the Fund was carried out mixed joint stock company SEDESA. State efforts to strengthen the banking system, including the restoration of the deposit insurance system, have yielded positive results; particularly the withdrawal of deposits has slowed down.

In Africa sewn deposits is carried out mainly in the form of indirect government guarantees, mainly due to the underdevelopment of the financial system and the dominance of state ownership. Only some of these countries, such as Senegal and Ghana, a mechanism of compensation of depositors' funds. In most countries, bankruptcy of banks (both public organizations) are not available. A formal system of deposit insurance was introduced in only four countries - Kenya, Nigeria, Tanzania and Uganda.

In Asia, most countries (China, Indonesia, Korea, Malaysia, Pakistan, Singapore, Thailand, Vietnam) have informal insurance system, while in industrialized countries, only Australia has an informal system. Most countries in the Middle East (Egypt, Iran, Iraq, Israel, Saudi Arabia, Syria) and almost half of the countries in the western hemisphere (Brazil, Bolivia, Costa Rica, Paraguay, Uruguay, Ecuador) is also of the informal system of deposit insurance. All countries - participants of European Union - currently in force and within the formal insurance system.

We believe that "the main factor in determining the form of the system of protection of deposits, is the economic development level of the country's degree of development of the monetary system, the share of state ownership, as well as the situation of the banking crisis, which is an important incentive for the introduction of a more effective mechanism for protection of deposits.

The introduction of a formal system of insurance of deposits requires the definition of the circle to be protected. The objects of insurance protection, as a rule, demand deposits, savings deposits, time deposits, certificates of deposit.

Exclusion from the formal system of insurance may be subject to these types of deposits such as:

### **1. Interbank deposits.**

This is due to the fact that banks have the ability to assess the financial condition of each other, therefore, able to minimize the risks for interbank transactions. In addition, funds raised in the interbank markets, the agreements often are not considered as deposits. Most countries exclude interbank deposits of the insurance object. Exceptions are countries such as Kenya, Austria, Finland, Hungary, Iceland, Switzerland and some countries of Western hemisphere.

### **2. Foreign currency deposits are excluded for reasons such as:**

- The difficulty of determining the boundaries of currency fluctuations;
- Limited impact on the payment system with little share in total deposits.

Of the total number of surveyed countries only twelve foreign currency deposits are not subject to insurance. Japan, Nigeria, Tanzania, Uganda, Bangladesh, Taiwan, Belgium, France, UK, Canada and the United States and do not insure interbank deposits and foreign currency deposits.

In European Union countries: Germany, Italy, Luxembourg, the Netherlands, Switzerland, subject to deposit insurance, regardless of the type of currency. In Belgium, Canada, France, Japan and the UK foreign currency deposits are excluded from the insurance object. However, deposits in Euro-currency and ECU must be insured similar to deposits in national currency.

### **3. Deposits that are in the branches of foreign banks.**

The reason for exclusion is that some investors in their own country may incur losses in case of bankruptcy of these branches. In the European Union and the US branches of foreign banks deposits to be protected.

4. The deposits placed in other countries, are excluded from the insignificant impact on the payment system of the country. In the European Union, only Germany requires such security deposits. Some countries, such as Italy, demand deposit insurance abroad only if the other party does not provide such an insurance mechanism.

Furthermore, a number of deposits, which are also not subject to the protection of the formal system security

- deposits owned, controlled and managed insolvent bank;
- guaranteed deposits;
- deposits with specified conditions;
- deposits associated with fraudulent transactions, including schemes of money laundering;
- means forming part of the bank's capital (for example, time and undated subordinated liabilities).

Thus, the definition of the object of insurance in various countries, as a rule, depends on the development of economic relations and the current banking practice.

Analysis of the practice of insurance of bank deposits has allowed to distinguish four basic organizational forms of insurance:

1. The first form assumes a 100% participation of the state where the management and financing is also carried out by the state. This form contains a high proportion of moral hazard, as banks do not share in the costs of the bankruptcy of other banks.
2. The second form - through a system of insurance funds managed by public corporations, and funded in part by banks.
3. The third form - funds, co-managed by banks, state, and financed, as a rule, banks. The adoption of a mixed form enhances the formation of equity insurance system, but at the same time it is associated with low incentives for outside investors under government control
4. Private management of the scheme of mutual insurance, without the participation of the state. The fourth form of the organization shifts part of the costs arising from bank failures in the banks themselves, however, if the costs are so high that they can wag the entire system, while state aid is expected to resolve the crisis. That baggage, it could mean the shape of the hidden (informal) state guarantee.

The advantage of this is the ability to shape the most profitable investment of the funds raised the disadvantage - there is a conflict between the interests of the profitability of the deposit insurance system and the implementation of its tasks. The procedure for

governance and participation in the system of insurance is different in different countries. For example, the management of insurance system in the Netherlands is Central Bank and the participating institutions (insurers) are represented in the Consultative Council. In the UK, the Board of deposit insurance includes representatives of the Bank of England and member institutions of the insurance system. In France and Switzerland, management is carried out professional and banking associations.

Participation in the system of deposit insurance can be voluntary or mandatory.

Mandatory participation provides equal guarantees to customers of different banks, which creates equal starting opportunities in the inter-bank competition. At the same time, this form conceals likely to reduce the motivation of investors in selecting the most reliable banks.

Voluntary participation form deprives the customer of the benefits of insurance, but it is an important advantage of the smoothing of contradictions between the state and banks. The level of development of the financial system, apparently has no effect on the form of participation in the system security. Probably, there is no direct link between the shape and form of the participation of the fund management. Comparative characteristics of participation and management in formal insurance systems gave the following results of the 21 systems with state government participation is mandatory for 14 systems, while systems of 9 privately managed mandatory participation is provided for 6. Of the 11 systems with co-administration is required to participate and to 6 systems. In a voluntary form of insurance, where premiums are calculated on the basis of risk, some banks, if allowed, may withdraw its money from the fund and out of the insurance system when they consider that as a result of the aggressive policies of other banks tended to increase in insurance payments. For example, in Estonia, some private banks came out of the public administration system and organized their own fund due to the increased risk of bankruptcy of weak banks.

In addition to determining the forms of participation and fund management, insurance should include border deposit insurance: insurance premiums and insurance payments.

The boundaries of the insurance related to the financial liability of the guarantor (insurer) to the depositor in the event of failure to meet the requirements of the investor. Legislation governing the deposit insurance system, often determines the conditions under which the institution can be considered insolvent, and specifies the appropriate procedure of compensation of insured deposits. For example, in accordance with the Directive of the European Union, the institution is considered insolvent if it does not return the deposit to the client within 10 days of the request.

Limits of insurance (insurance premiums) can be installed in two ways.

1) Or for each type of deposit (lack - the ability to increase the size of the depositor insurance benefits by increasing the number of contributions, or through third

parties). Insurance system only four countries (France, Italy, Luxembourg and Switzerland) provide for delimitation of insurance (payments), depending on the type of deposit;

2) Or for each type of investor (drawback - if the customer demand accounts and time deposit accounts in one bank account the two are added together, the limit applies to the total amount). In Peru, if a depositor has accounts in more than one insolvent bank, the insurance indemnity is paid only in one bank. The boundaries of insurance for deposit accounts is determined only four formal deposit insurance system - France, Italy, Luxembourg and Switzerland.

Between the boundaries of insurance and types of deposits, however, are possible options for increasing these limits, especially if the rules do not specify the exact order of the insurance joint accounts to the trust accounts managed by pension funds. In all EU countries, except Germany, set the maximum amount of insurance 15 000 equus when until December 1999 (and then, it is expected that this amount will be increased to 20 000 equus when) per depositor, Canada 60 000 in Canada. USD 400,000. French francs in France, in Italy, 200 million. Italian liras. The German commercial banks fully insure non-bank deposits, the maximum amount of insurance for a client is determined in the amount of 30% of the obligations of a particular bank giro institutions are insured in this way.

The amount of insurance payments also varies across countries. In countries where the objective of the state is to protect small depositors, such as the UK, the amount of insurance payments is established for individuals and takes into account the amount of the contribution, as the average for the group. If there is interest in protecting a broader group of investors, the amount of insurance payments can be established for individuals and businesses (Italy). In addition, in order to reduce the risk of non-repayment of deposits for certain groups of investors, provided for co-insurance, where the insured person has a certain percentage of losses when the insured event (the franchise). When co-insurance is determined by a certain percentage of losses or losses in the share set intervals. This type of insurance provides insurance Chile, Colombia, Greece, Portugal. One hundred percent coverage is provided in countries such as Kuwait and Norway. Some systems define the possible regulation of the boundaries of insurance or through indexing or by periodic review. These measures take into account the effects of inflation (as in Peru) and the growth of personal income (in the Netherlands).

International practice to distinguish between state-funded insurance system and not financed.

In the first case, banks pay premiums to the insurance fund is created. This government involvement in the financial security of insurance payments is possible, including by opening a credit line Central bank. State financial support gives certain guarantees permanent solvency system with deposit insurance.

In the second case, the insurance fund is not maintained constant, premiums are set and paid after the presentation of the bank's claims. Losses depositors are reimbursed by the state or Central bank in the following cases:

- Billing demand of the depositor;
- Treatment of the distribution of the insured risk after exposed requirements.

In a number of countries: Chile, Japan, Nigeria, the Philippines, Portugal, Taiwan, Uganda government or central bank provide the initial capital and banks carry insurance premiums.

The rate of insurance payments can be set as a fixed payment, ie banks make contributions on a scale tied usually to the insured base. On the one hand, a method provides ease of calculation of payments, but on the other hand, does not take into account varying degrees of exposure to risks.

In many countries, legislation provides for the differentiation of the value of insurance payments (United States, Canada, Sweden, Hungary). There are differentiated payment rates depending on the riskiness of the operations and the differentiation of rates over time. Application of the first type of rate is more reasonable in terms of the ratio of the level of risk assumed by the bank and the size of contributions to the fund. The main difficulty is to assess the risk that is associated with unreliable and incomplete information provided by many banks.

The possibility of charging additional premiums if the banks take higher risks, is provided in Hungary. In Argentina, the premiums may be increased on the basis of the definition of Central bank risk indicators. However, only the United States has a system of risk indicators (introduced in 1993), which is used to determine the amount of insurance premiums. The calculation of the amount of insurance premiums is performed, depending not only on the deposit, but also on the degree of risk of capital and other. Indicators of the bank.

The second kind of rates - the rates differentiated in time - is used in the failure of the fund.

The advantage of this type of betting is to provide certain guarantees sufficiency fund. However, among the shortcomings should be noted that banks are forced to pay for whatever reason arising deficit of the fund. It may be as excessive risk-taking in the operations of the banks, and the error of the insurance fund.

In many countries of the European Union with the insurance funds are formed on the basis of a regular subscription. The exception is Canada, where changes in premium rates requires the permission of the Government, and Japan, where the decline in premiums is carried out in accordance with the requirements and with the consent of the Government.



In some cases, there are restrictions on the amount of financing of the fund - for example, USD 2 billion., Or 5% of the total deposits found in Argentina; at least GBP 5 Mill., maximum of GBP 6 million UK. In Greece, India, the United Kingdom legislation defines proportional liability for excess reserves, so that was a source of financing in the case of exhaustion of the fund.

According to the results in 9 countries (Austria, France, Italy, Luxembourg, the Netherlands, Switzerland, Kuwait, Chile, El Salvador), the deposit insurance system - are not funded by the state and 34 countries (Africa, Asia, most of Europe and the Western Hemisphere) deposit insurance system financed. Due to banks are the main source of funding in the system 31. Insurance systems in some countries (Canada, Japan, China, Turkey and others) set premiums for insured deposits only, most of the other countries - in terms of total deposits.

The study of the practice of insurance of bank deposits in various countries helped to draw some conclusions. The general trend, countries with underdeveloped the monetary system and the predominance of state ownership have informal insurance of bank deposits. The highly developed countries tend to operate within the formal insurance system. Some developing countries have formal insurance system in response to the crisis that broke out in the banking sector.

The objects of insurance protection, as a rule, demand deposits, savings deposits, time deposits, certificates of deposit. The procedure for managing the insurance fund and the procedure for participation in the insurance system is different in different countries, sometimes it depends on the degree of state involvement in the organs of security. Comparative characteristics of these two elements has not revealed a direct link between them. In addition, they are influenced by the degree of monetary relations of the country in the form of participation of banks in the insurance system. The amount of insurance payments also varies across countries and often depends on the targets set by the state.

Most countries have funded insurance system, where the main source of replenishment of the fund are bank funds. Many systems provide for differentiation of the value of insurance premiums, as the most effective way of financing the system. However, only in the United States, a system of risk indicators, which is used to determine the amount of insurance premiums.

In some countries, deposit insurance also perform the function of banking supervision, while in some developed countries (France, Germany, Japan, United Kingdom) sewn contributors is the main task of the insurance system, and the control and supervision of banking activities - a secondary task. One of the most important law is the law "On guarantees of protection of citizens' deposits in banks". The social significance of the

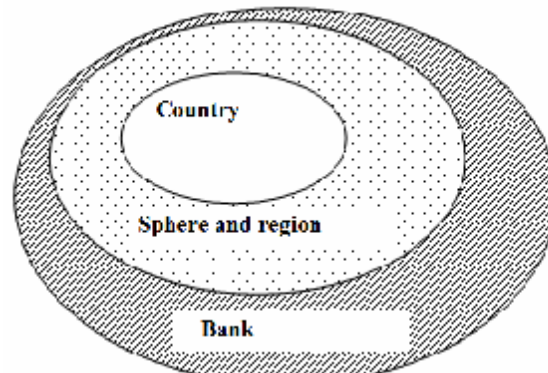


adoption of this law is obvious. The problem is solved deposit insurance in Uzbekistan for over twelve years. The law was approved by the Oliy Majlis.

Thus, the problem of constructing the mechanism of insurance as a means of minimizing the loss of society as a result of bank failures remains an urgent and requires authorization by virtue of the ongoing process of bankruptcy.

#### 4 . Factor approach to the assessment of the banking crisis

It is obvious that a bank crisis factors directly affect the bank (internal) and external to the Bank of factors relating to the sector in the region and to the country as a whole. Accordingly, the crisis industry and region are influenced by the country's crisis. Factually occurs classification of the factors of the crisis on the so-called principle of attachment when one group of factors is part of another group, as illustrated in Fig. 1.



**Fig. 2. The classification of the factors of the crisis.**

Factors directly related to the country, industry, region, bank, private or specific call, and all the factors acting on the object in question - the bank, branch, region, country, - common. So for the bank's common factors are a set of specific factors of the banks, industry, region, country.

Let us assume that the cumulative impact on the banking crisis are external to the factors it is the content of the bank and the investment climate. Similarly, for the characteristics of the region, the industry of the country. Thus, the investment climate - a set of external conditions for investment activities. Bank Investment Climate - external factors on the level of investment attractiveness of the sector, region and country.

It is proposed to distinguish between the integrated (total) and differential (private) capacity of the bank, branch and region. Under differential should be understood that potential, to the calculation of the level that attracts only a single factor in this project - the bank, branch, region, country. Under integral understood this potential, which is calculated

taking into account the more general factors - industry, region, country - on the basis of investments.

For regions, you can specify the following groups of factors: political, social, environmental, criminal, legislative and judicial, resource and raw materials, manufacturing, consumer (as the purchasing power of the population), infrastructure, financial innovation. The specific indicators used to characterize the investment climate in the region at every stage of economic development, are subject to change.

For industries and sectors of the economy it is also possible to transfer specific factors and their groups. It should be noted that in some cases it is advisable to consider the strategic group of banks, usually within the industry - a relatively homogeneous group of banks that have similar values of specific factors within the group and between different groups.

We point out on some country factors. K key macroeconomic factors may include gross income levels of equity indices, interest rate levels, the exchange rate, the inflation rate, trade balance, budget balance, unemployment, CPI and other indicators.

In accordance with factor (additive) approach for integrated assessment of the crisis can be used multiattributivnaya model type:

$$U = \sum_{i=1}^n K_i x_i + \sum_{j=1}^m K_j w_j + \sum_{k=1}^L K_k v_k + \sum_{p=1}^S K_p z_p = X + W + V + Z,$$

where  $X$ ,  $W$ ,  $V$  and  $Z$  - the differential assessment of the crisis and the bank, region, sector and country, respectively; Parameters  $x$ ,  $w$ ,  $v$ ,  $z$  - scores the severity of the presence of private (specific) factors of the bank branch (region), the country respectively. Weighting factors  $K$  are assessing the importance of the relevant factors. Then an estimate of the crisis, as the ratio of two estimates of the crisis compared banks.

## 5. Conclusion

Thus, the analysis of the banking crisis and overcome the problems of regulation of banking liquidity crisis leads to the following conclusions.

1. Untimely and reckless actions of monetary authorities can only complicate the crisis situation in which there are commercial banks and the banking system.
2. The regulatory impact on the liquidity of the banking system as a whole depends on how commercial banks themselves are able to adapt to changing conditions.
3. In a crisis, the financial support provided by commercial banks, should cover only their short-term need for liquidity, and rescue insolvent banks should not be an exclusive function of the central bank.

4. "Infusion" additional liquidity is ineffective in the absence of well-defined boundaries cover liquidity deficit (here important the functioning of the system of insurance of bank deposits); and are not justified by the financial support to the banks for a long time at the inadequate system of banking supervision.
5. Within the framework of regulation of bank liquidity Central Bank uses a range of measures that can restore the stability of commercial banks and the ability to survive. Within its competence, the historical nature of its activities, it restores the normal operation of the banking sector, conducts financial restructuring of troubled banks. However, such strong measures as the restructuring of the banking system and banking supervision and oversight, as a rule, especially in countries with large territorial extension, in times of crisis are beyond the power of one state body polysyllabic problems caused by a whole range of economic, social and political problems. Banks deemed illiquid, can be restored, however, this problem requires drastic measures to be solved taking into account the long-term development of the banking system as a liaison monetary streams of the national economy.

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## WORK-LIFE BALANCE-NEED OF THE HOUR

Manpreet Kaur<sup>1</sup>

### INTRODUCTION

Both, work and life are equally important. In today's fast and competitive world the balance between work and life is very difficult to maintain particularly among women employees. This is due to the fact that women have additional responsibilities of house, managing kids, in-laws etc. Over the last couple of decades due to advancements in technology drastic changes have been seen at work place and as such the level of stress has also decreased. Work life balance is to maintain a supportive balance between work and life which helps them to perform better. It is widely accepted by researchers that work-life balance is associated with desirable outcomes in both the workplace area and family area.

Work life balance is defined as satisfied and good functioning both at work as well as home. It is basically an individual's ability to manage work as well as family responsibilities. In fact employees become more loyal and committed to their work if they have a balanced work life and organizations also understand their needs as well as problems. As such an emotional attachment is also developed between the two. Australian Survey of Social Attitudes (2005) reported that over 70 percent of those aged 18 -65 would like to spend more time in leisure pursuits or with their family, and nearly 40 percent wanted to spend less time at work. This effects the organization as a whole. Organizational practices also effect organizational performance. If organizations adopt policies such as crèches for kids, reduce working hours, less overtime this would increase effective commitments. Working women has to play multiple roles and thus there is a great pressure on them to cope with the demands of multiple roles. They fight a battle to strike a balance between work and family life.

### LITERATURE REVIEW

The quality relationship between work life balance is very important to achieve success in today's competitive world. Ratio of working women has also increased rapidly and such maintaining a balance is very challenging as family structures have also been transformed (Lazar, Ratiu, 2010). Influence of working hours has deep impact on employee's performance. Employees who work at home regularly, adopt work from home policy wants to reduce their hours significantly more, as they feel they are able to spend quality time with their families and their work is also not effected but compensation for overtime also decreases employees' wishes to reduce their working hours. Nearly 60% of employees would take less money to work fewer hours, which shows dissatisfaction with working conditions (Holly, Mohnen, 2012). Effective commitment is also achieved if we have appropriate work-life balance as it has positive influence on performance of employees.

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<sup>1</sup> Research Scholar, Punjab

There is a significant and deep relationship between work-life balance and productivity of employees. Firms should not only focus on flexible work but also introduce programs like child care and family care programs to enhance the productivity of the employees as well as the organization. As there is a positive correlation between the two (Isamu, Toshiyuki, 2012), a work culture that helps to support work –life balance leads to a positive outcome as well as for the employee and organization as a whole. It also increases the loyalty, productivity as well as employee’s performance and dedication. Managers should also adopt creative approach to family management programmes enhancing their problem solving and organizational skills. (Skinner, 2013). Various organizations have been adopting different policies to balance work life like work from home, sharing a full-time job between two employees (job sharing), family leave programs (e.g., parental leave, adoption leave, compassionate leave), on-site childcare, and financial and/or informational assistance with childcare and eldercare services to create a balance between the two. This shows a deep effect on organizational practices also as these employees behaviour and organizational practices remain balanced. Flexible working hours and work-to-life conflict also have a deep impact. (Beauregard, Henry, 2009).

Job Satisfaction is also achieved by following work-life balance practices so that employees are able to carry social responsibilities as well as job responsibilities effectively. Organizations should take the initiative to develop quality work life programs. Studies and surveys have also proved that organizations like IBM which used work from home policy have attracted more manpower and satisfaction level is also high particularly females. Even the role of working women has changed and is also very demanding. There is also a rise in conflicts among working women with their partners as they carry more stress as they are juggling to maintain balance between families and expectations of the organizations (Delina, Raya, 2013).

#### **OBJECTIVES OF THE STUDY**

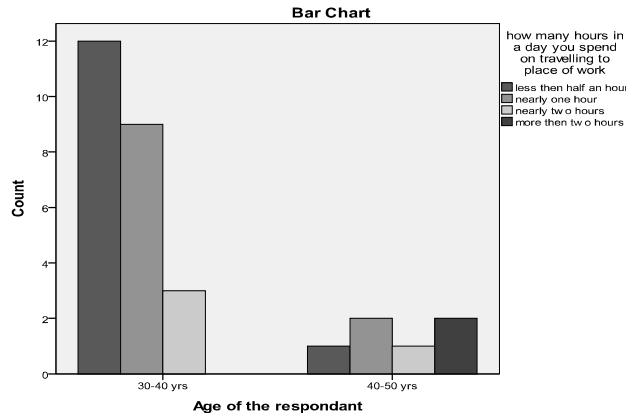
- To find out the how is the balance between professional and personal lives of working women in Talwandi Sabo and surrounding areas.
- Factors which cause imbalance and how it affects their performance.
- Factors affecting work-life balance and effective steps to be adopted for the same.

#### **RESEARCH METHODOLOGY**

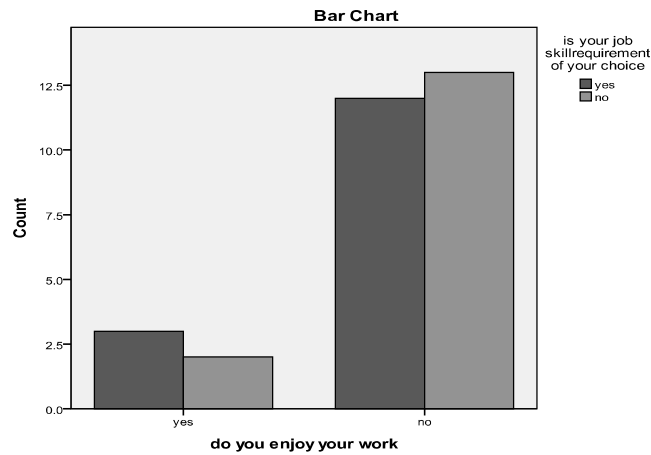
The present research shows a picture of the Work life balance among women employees working in educational institutes of Talwandi Sabo and surrounding areas. Sample of 30 workers female workers were collected and analyzed

Most of the female employees prefer to work near their living areas as it saves their time which they can utilize for other works. The salary provided to the employees is also not

sufficient enough and as such their take tuitions in evening hours to earn income. This shows that though employees have talents but this talent is not given the right platform and there is a lack of encouragement also. Long working hours also hampers the peace of employees and as such their performance also gets affected. They feel that they can also look after their kids better and can come whenever required in emergency.



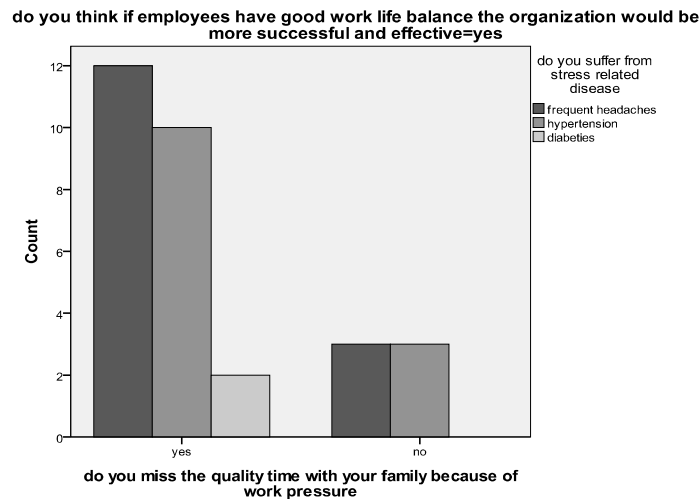
Most of the employees don't enjoy their work as the job is not according to their skills. There are numerous factors for it. They are adjusting to it as there is a shortage and lack of jobs. This in turn also effects their performance as their talents and skills remains hidden. Some work as they need jobs to meet their family and other requirements.



As such most of the employees also remain worried at work. This in turn gives rise to stress related disease such as hypertension, obesity etc. More the employee is at work more challenges they have to face so they remain stressed. Numerous studies have also shown relationship between mental stress and work disorder.



The picture depicts a big work life imbalance among employees. Due to work pressure, employees are not able to spend quality time with their families which in turn hamper their family quality time. Employees put efforts to balance their work and life but numerous factors like work load, over load of work etc hampers it. It leads to work life conflict which has a deep negative effect.



## CONCLUSIONS AND SUGGESTIONS

The study shows that there are numerous challenges being faced by female employees particularly married ones to maintain a work-life balance. The study was able to measure and found numerous factors affecting it. Factors like improper balance between the two also leads to stress, mental disturbance and many other health ailments. The study depicts

a deep relation between work and life. Long working hours increase the stress level which in turn hampers the personal as well as professional life of an employee. A good work-life balance results in high satisfaction in all spheres. Organizations should take up effective measures to improve the working conditions of employees. Facilities like paid maternity leaves should be provided (particularly private ones) and they should be allowed to extend if required. Crutches for children should be included at work places. This will make employees tension free and focused more on work enhancing their family too. Work from home is another option. Companies like IBM, ATOS have already opted this policy and it is very effective both for employees as well as the organization as a whole.

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## CASH FLOW MANAGEMENT OF JOINT STOCK COMPANIES

Masharipova Shahlo Adambaevna<sup>1</sup>

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### ABSTRACT

*In this article the questions of development of national economy and the stability of which depends on the activity of business entities engaged in shareholder ownership. The unique abilities that are joint-stock companies, as major organizational structures in the real economy, which requires a huge amount of capital and conduct their efficient operation. Joint-stock companies (JSC) allow creating favorable conditions for the centralized management of financial resources, in order to generate profits.*

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### Introduction

In a competitive and unstable environment we need to react quickly to deviations from the normal activities of joint stock companies. Cash flow management is the tool with which you can achieve the desired result of the JSC - profit.

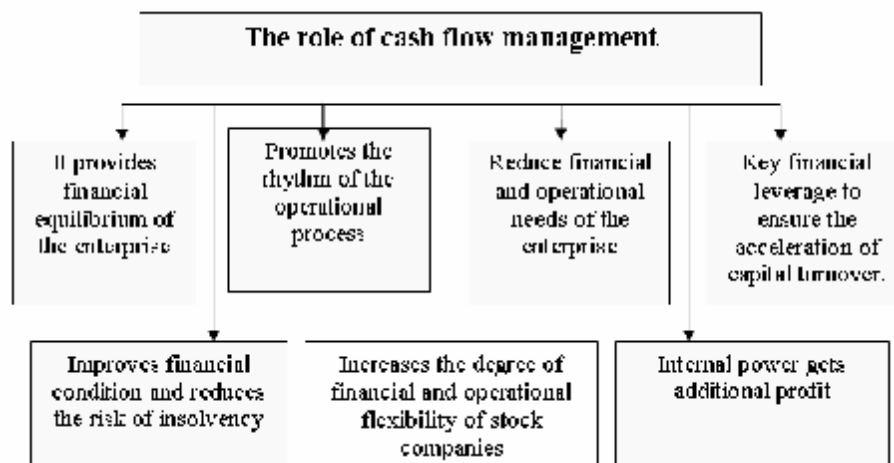
Among the main problems of the national economy, many economists distinguish cash deficit in the AO to carry out their current and investment activities. However, closer examination of the problem becomes clear that one of the reasons for this deficiency is usually the low efficiency of attraction and use of financial resources, limitations apply in this case of financial instruments, technologies and mechanisms. As financial instruments and technologies are always based on the development of financial theory and practice, their application is especially true with a lack of financial resources (Abdakarimov B.A, 2013).

We know that in the reproduction process nonstop stage circuit factor of production begins with the receipt of material resources and ends with the realization of finished products. As a result, the process of outflow and inflow of funds from various sources. Therefore, cash flows include the outflow and inflow of funds from different sources is the main criterion and the main indicators for assessing the financial and economic activity of enterprises of different ownership forms (Akimov & Dollery, 2006).

In terms of economic modernization sweeping reforms to implement various innovative projects in the sectors of the economy to the sustainable development of joint stock companies, as well as cash flow management in the system of financial management. (Figure 1)

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<sup>1</sup> Research Scholar, Tashkent State Economic University, Uzbekistan



**Fig. 1. The role of the management of cash flow in the modernization of the economy**

Domestic sources of financing of fixed and circulating assets of enterprises is crucial to the shortage of financial resources in the economy and as a result of the global financial and economic crisis. This, in turn, requires an increase in domestic financial capacity through the efficient management of the funds of economic entities as one of the cornerstones of the possibilities of achieving the goals of development in the long term.

For the efficient operation of joint-stock companies is required to ensure the normal cash flows, as well as other economic resources and this is a major factor of sustainable development in terms of economic modernization. In order to make effective decisions on management of cash flows advisable to carry out a comprehensive analysis of the cash flows (Beatty & Ritter, 1986; Berger & Humphrey, 1991; Fry, 1988).

The main objective of the analysis of cash flows is to identify the causes of lack or excess of funds, identification of sources of income and areas of use. Positive flows (inflows) reflect the flow of money to the company, the negative (outflows) - disposal or expenditure of money now. The transfer of money from the cash register to the bank account and similar domestic money transfer are not considered as cash flow. The most important condition of the cash flows it is the intersection of the conditional "border" joint stock companies. The difference between the gross inflows and outflows of funds for a certain period of time is called net cash flow 2. It can also be positive or negative (inflow or outflow).

All cash flows of joint stock companies are combined into three main groups: flows from operating, investing and financing activities, which in turn are divided into inflows and outflows of cash. (Fig. 2)

As noted, the operational activities of joint stock companies - is the main revenue-generating activities of the economic entity, as well as the kind of economic activity of the subject is not related to investing and financing activities

<b>INFLOW</b>	<b>OUTFLOW</b>
<b>From investing activities</b>	
1. Proceeds from sale of assets of long-term use 2. Dividends and interest from long-term investments 3. Return of other financial investments and other in flows of cash flows.	1. Purchase of long-term use of the property 2. Capital investments 3. Long-term investments
<b>From operating activities</b>	
1. Revenues from sales of products, works and services. 2. Advances received from customers. 3. Other income (refund from suppliers)	1. Payments to the accounts of suppliers and contractors. 2. Payment of wages. 3. Payments to the budget and extra budgetary funds. 4. Payment of interest on the loan. 5. Pre payments and other cash outflows.
<b>From financing activities</b>	
1. The loans and borrowings 2. The issue of shares, bonds 3. Preparation of dividends on shares and interest on bonds	1. Return of previously obtained loans 2. Payment of dividend son shares and interest on bonds 3. Redemption of bonds

**Fig.2. The main directions of the inflow and outflow of cash from operating activities**

Inflows from operating activities generated by the proceeds from the sale of goods (works, services), collection of receivables, advances received from customers. Operating outflows - is paying bills to suppliers and contractors, payroll, payments to the budget and extra budgetary funds, interest payments on loans. The list includes almost all the current

operations of joint stock companies, related to the use of working capital (Ames, Brown, Devarajan, Izquierdo, & others, 2001; Rosenberg & Saavalainen, 1998).

Since the main activity is the main source of income, it must also be a major source of funds. Investment activities related to the implementation and acquisition of long-term use of the property. In the national accounting, standards of the Republic of Uzbekistan noted that the investment activity-long-term assets are not included in the monetary equivalent, purchase and sale of other investment projects 3.

Cash outflows from investing activities include payment for the acquired fixed assets, capital investments in the construction of new facilities, the acquisition of companies or packages of shares (shares in) in order to generate income or to exercise control over their activities, the provision of long-term loans to other joint-stock companies (Akimov & Dollery, 2006; Au, Law, & Buhalis, 2010; Bakhtishodovich et al., 2015).

Accordingly, investment inflows generated by proceeds from the sale of fixed assets and construction in progress, the value of sold stakes in other companies, the amounts of return of long-term loans, dividends received by the enterprise during the possession stakes or interest paid by the debtor during the use of long-term loans.

Financial inflows - is the sum of the proceeds from the placement of new shares or bonds, short and long term loans obtained from banks or from other enterprises, targeted funding from various sources. Outflows include the return of loans and credits, bond redemption, repurchase of own shares, payment of dividends. This section focuses on external financing, relatively independent from operating activities stock companies. It should be noted that the financial transactions include both long-term and short-term loans and bank loans received by the enterprise (including arrears on bills). However, all interest costs for the loan (regardless of its duration) related to operating activities stock companies.

The grouping of the cash flows of joint stock companies by activity significantly increases the identity of the accounting information. Financial Manager (or lender) can see exactly which sources bring the company the largest cash receipts and what - to consume more of them. In normal functioning of the company's total net cash flow should go to zero, that is, all earned in the reporting period, the funds must be invested efficiently. However, to achieve such a result are various ways: Operating activities can bring significant net cash flow that the company uses for the expansion of fixed assets. However, the possibility of the opposite situation - implementing part of its fixed assets, the company thus covers the net cash outflow from operating activities. The latter option is highly undesirable for the joint stock companies as the main source of funds should serve as its main operating activities, rather than selling the property (Berger, Hanweck, & Humphrey, 1987; Ghatak, 2003).

Increase or decrease the amounts of money for a certain period is directly related to the changes in the value of assets and liabilities balance. Increasing the value of any related

assets (other than cash), - reason for the decrease of funds. Conversely, the increase in debt or own sources of funding - a factor increase in cash balances.

At the same time, one of the factors influencing the overall scale of the inflow and outflow of funds by type of activity is especially economic activities of joint stock companies. In particular, the joint-stock company engaged in the production of goods or producing products that are dependent on the seasonal nature of the structure of the current assets of production revolving funds is of paramount importance.

Although a small proportion of current assets in the total assets of the enterprises involved in the non-manufacturing sector, or performing administrative functions in most cases, the elements of the treatment of funds, that is, accounts receivable and cash has a huge share in current assets due to the low production needs of the fund. This directly affects the total amount of funds required in the structure of current assets. However, the sources of funds used up their directions is of fundamental importance for decision-making in the effective management of cash flow in the joint-stock companies. Therefore, we will consider some of the chemical industry, are included in the joint-stock company "Kimėsanoat."

As the data in the table, at the analyzed company in the assets structure long-term assets have a huge share of. Minor financial resources generated in the current assets, but in the last 4 years there is a trend of increasing the share of current assets in the asset structure of the company "Kimėsanoat."

**Table 1 Analysis of liabilities and assets of joint-stock company "Kimėsanoat" for the years 2011-2014.**

№	Indicator	2011		2012		2013		2014	
		Million sum.	%	Million sum.	%	Million sum.	%	Million sum.	%
<b>1.</b>	<b>Assets</b>	<b>138961,1</b>	<b>100</b>	<b>166215,6</b>	<b>100</b>	<b>188845,0</b>	<b>100</b>	<b>199830,0</b>	<b>100</b>
1.1.	Long-term assets	136343,6	98,1	140829,1	84,7	165715,5	87,7	177223,1	88,6
1.2.	current assets	2617,6	1,9	25386,5	15,3	23129,5	12,3	22607,8	11,4
<b>2.</b>	<b>Liabilities</b>	<b>138961,1</b>	<b>100</b>	<b>166215,6</b>	<b>100</b>	<b>188845,0</b>	<b>100</b>	<b>199830,0</b>	<b>100</b>
2.1.	Sources of Equity	136306,2	98,0	164305,9	98,8	187463,1	99,2	198786,0	99,4
2.2.	Commitments	2654,9	2,0	1909,7	1,2	1381,9	0,8	1044,9	0,6

In 2011, long-term assets "Kimėsanoat" amounted to 136,343,600,000. Soums, in 2012 140 829 100 000. Soums, in 2013 165 715 000 000. Soums in 2014 to reach 177 223 100 000. Sum. The share of long-lived assets in the total assets in 2011 amounted to 98.1% in 2014 against the overall composition of the assets amounted to 88.6%.

The high proportion of long-term assets in an asset account for long-term investments. This of course, was due to the implementation of the investment program to modernize the production of chemical products in general, the joint stock company "Kimėsanoat."

The high proportion of long-term assets and the availability of own financial resources, which are almost completely cover the long-term investment in an asset, first leads to uninterrupted supply of financial stability and reduce the demand for highly liquid assets (due to the low financial and operational needs), ie It does not require a large amount of highly liquid assets. Second, it increases the size of the cash flows from operating, investing and financing activities.

The increase in equity was primarily due to revenue targets that ensure the financial stability of the company. As a result of this trend increased net working capital, for example equity, which was directed to financing of current assets of the enterprise.

Strategic direction for the formation of current assets and their financing is the major factor influencing the structure of the cash flow, the amount of attracted funds from various sources, the level of profitability of short-term investments, and therefore the cash flows of interest and dividend received.

**Table 2. Analysis of the dynamics and structure of the current assets of the company "Kimėsanoat" 5 for 2011-2014.**

№	indicator	2011		2013		2013		2014	
		Млн. сум.	%	Млн. сум.	%	Млн. сум.	%	Млн. сум.	%
1.	Current assets	2617,6	100	25386,5	100	23129,5	100	22607,8	100
1. 1	Future expenses	18,9	0,7	34,1	0,1	34,7	0,1	38,4	0,2
1. 2	Inventories	4,7	0,17	0,32	0,00 1	-	-	-	-
1. 3	Deferred expenses	-		274,5	1,1	456,1	1,9	456,1	2,0
1. 4	Receivables	2267,2	86,6	3897,5	15,4	3187,3	13,8	11096,9	49,1
1. 5	Cash	326,7	12,5	21180,3	83,4	19451,4	84,1	11016,4	48,7

As can be seen from the data in the table due to the particular business of the company "Kimėsanoat" in the structure of current assets of production funds constitute a very low proportion. Since the maximum value of inventories in current assets in the last 4 years account for only 0.7%.

According to the data we can say that the structure of current assets is a huge proportion of the fund circulation elements such as accounts receivable and cash. That is, in 2011, the funds amounted to 326.7 million. Sum and their share in total current assets is 12.5%. In 2012, funds in current assets have risen sharply, and reached to 21,180,300,000. UZS. It occurs mainly due to the increase of funds in the current account (David Airey & Myra Shackley, 1997).

2013 cash amounted to 19.4514 billion sums; this index in 2014 fell sharply, to \$ 11,016,400,000 UZS. One reason for the reduction of funds in the last 2 years is associated with the global financial and economic crisis, which led to lower prices on the world market for exported goods companies in the sector by almost 2 times. This has a direct impact on foreign exchange earnings and the volume of foreign currency traded company. Despite this, the rate of increase of money in 2014 lags behind the pace of increase in current assets.

Thus, the improvement of the financial condition and reduces the risk of insolvency. Even companies who have successfully engaged in economic activities and generating a sufficient amount of profit, insolvency can occur as a consequence of the imbalance of various types of cash flows over time. Synchronization receipts and cash disbursements achieved in the management company's cash flow eliminates the factor of occurrence of insolvency. According to scientists, economists, "Synchronization of receipts and payments of funds - an important part of crisis management organization under the threat of bankruptcy" 6. Here, the focus is mainly on the management company's cash flow, which is suffering the threat of bankruptcy. That is, cash flow management plays a central place in the anti-crisis measures of management and the financial recovery of loss-making enterprises (Djanibekov & others, 2008).

As you know, the main purpose of financial management in the management of the funds is to ensure the ongoing solvency, which plays a fundamental role in financial stability. In our opinion, such a goal is not only to the management of funds, but for working capital as a whole. Because the funds in the structure of current assets are considered to be the most highly liquid assets in the structure of current assets of enterprises. The purpose of financial management, in the narrowest sense, it is a constant maintenance of absolute liquidity of joint stock companies. This function gets its implementation of monetary assets as a means of payment, ensuring the realization of the goal of creating their operational, insurance and compensation balances.

The presence or huge share of cash in the structure of current assets does not give any profit, and during the growth of the price of money gradually lose purchasing power. However, despite these circumstances, the presence of these most liquid assets for maximum risk reduction.

As noted, scientists and economists, "Liquidity of assets - is the reciprocal of the time required to turn them into money, ie, the less time you will need to convert assets into cash, the more liquid it is 7.

Topical nature of the targets defined by the fact that no large amount of current assets and equity, not high level of profitability of economic activity can not insure the company against brought against him claim bankruptcy if on schedule due to lack of cash assets it can not pay for their immediate financial obligations. Therefore, in the practice of financial management of cash assets is often identified with the management of solvency (or liquidity management).

The influence of external and internal factors in the deterioration of the financial viability of enterprises and the formation of financial strategy based on violations of payment and settlement discipline and irrational deferred payments are argued inertial reproduction of non-market economic behavior of enterprises existing system problematic factors draws business entities in the state of congestive insolvency.

The effective management of cash flow increases the financial and operational flexibility of stock companies. Efficient cash flow management leads to improved operational management, especially in terms of the balance of cash flow and an increase in sales and cost optimization due to large capacity of maneuvering resource companies. Actively influence the better management of debt and the cost of services to improve the conditions of negotiation with creditors and suppliers. It creates a reliable basis for evaluating the performance of each of the departments of the company, its financial condition as a whole (Salami, Shahnooshi, & Thomson, 2009).

As a result, a high level of synchronization of the receipt and expenditure of funds in terms of volume and in time to reduce the real needs of the enterprise in the current balances of cash and insurance assets serving the core activity, as well as provision of investment resources for the implementation of real investment.

Active forms of cash flow allows the company to gain additional profits generated directly by its cash assets. It is paramount emphasis on the efficient use of temporarily idle cash balances in current assets, as well as accumulated investment of resources in the implementation of financial investment. The high level of synchronization of receipts and payments of funds in terms of volume and in time helps to reduce the real needs of the enterprise in the current balances of cash and insurance assets serving the operational process, as well as a reserve investment resources generated in the implementation of real investment.



Thus, the effective management of cash flow the company contributes to the formation of additional investment resources for the implementation of financial investments, which are a source of profit.

As noted, N. S. Kapranov, cash flows cover all business processes of the organization, so any disruption in their dynamics lead to disruptions in the process of structural units with the necessary resources, and thus cause problems related to the current activities and prospects for further development that a significant impact on profitability and capitalization of the Organization 8.

In the context of the modernization of the economy the main source of the existence of joint stock companies and its further development is profit. However, profit maximization gives the company the opportunity to maintain a strong financial position only when it is confirmed by real resources - cash. Processes occurring in the national economy in recent decades, demonstrate this clearly. Out of the exchange of real money and widespread non-monetary forms of payment have led to the fact that other companies in the industries financial position of companies as part of joint-stock company "Kimėsanoat" deteriorating.

The main reason for the deteriorating financial condition of enterprises in the "Kimėsanoat" are systematically, year after year, progressive non-payment and non-payment of debts of agricultural consumers for shipped fertilizers and as a consequence, the growth of receivables and payables, the inability of planned, purposeful formation and spending money . Reduced profit diversion of working capital when their failure is also characterized by the difficult financial situation of enterprises and shows a complete lack of funds to maintain existing facilities. As a result, the chemical industry remains a characteristic huge potential underemployment production capacity and the workforce, which in turn, leads to higher output.

Money is a limited resource, so important is the creation of an effective mechanism for enterprises to manage their traffic, which would contribute to ensure the business processes required level of cash flows and maintaining the optimal cash balance by adjusting the balance of their income and expenditure. In an ever-changing economic conditions (external and internal) for the creation of such a mechanism is necessary to have analytical information on the cash flow of the enterprise and the conditions of their formation. Moreover, to ensure the flexibility of management system, that is, its ability to react quickly to changes, to focus limited resources on the vital, priorities become more relevant results are not current, and predictive analytics, allowing not only to control and predict the situation.

## **Conclusion**

In modern conditions of managing the joint-stock company has a huge role in the national economy, which can be considered as an institution has a unique opportunity to mobilize financial resources from different sources: from investors, lenders, as well as

income received as a result of reproductive activity and capital investment in the most capital-intensive industries and sectors of the economy.

Especially it is a complex process in joint stock companies based on the largest integrated vertical and horizontal organizational structures. These funds are used for various purposes: purchase of fixed assets, inventory creation, formation of receivables and other financial and operating costs. Taken at a point in the total capital of joint stock companies is stable, then after a while it changes. The movement of capital in the company is constantly going on in terms of money. The competition between companies requires constant adaptation to changing market conditions; technological improvements, causing significant investment, inflation, changes in interest rates, tax laws - all this has a big impact on the movement of capital of joint stock companies. It is therefore necessary to effectively manage cash flows within the company.

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## AN INTER-SECTORAL EXAMINATION OF NON-AGRICULTURAL SECTORS WITH POTENTIALS TO ADEQUATELY ABSORB GROWING LABOUR FORCE: GAPS AND PROSPECTS STUDY

Yogesh Kumar<sup>1</sup>

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### ABSTRACT

*One of the objectives in the 12<sup>th</sup> Five year plan is the creation of productive and decent employment. To achieve this objective, the transfer of surplus labour, out of low productivity agriculture to industry and services is needed. It would also lead to increased productivity, on the one hand with shift and movement of labour from informal and disguised employments in the unorganized sectors to either formal employment in organized sectors, or at the least informal employment in the organized sectors. The pace of agricultural growth is slow in India with its share declining and marginal labour productivity in the negative. Thus, the key for sustained economic growth and the consequent poverty reduction rests on the performance of the secondary and tertiary sectors.*

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However, the growth in employment is observed for non-agricultural economy is found sluggish during 2000s. Still, there are some sub-sectors, particularly in services and tertiary sectors, experiencing growth both in terms of employment and revenues, which include construction, road transport, computer and its related activities etc. Then there are industrial sectors such as Textiles and Apparel Industry, and Food Processing which conventionally been strongholds of employment provision, value addition, and revenue generation besides export earnings. Of late, some sectors have emerged and are sun-rise sectors having large potentials both in terms of revenue generation (foreign exchange earnings) as well as employment provisions such as Information Technology (IT) and Tourism and Hospitality sectors.

Mid-term appraisal of the 11<sup>th</sup> plan indicates that, the sector has grown at the rate 8 percent per annum during the plan period. The Indian industry as a whole is going through one of its good times with growth rates going up from 5.8 percent in 2002-03 to 7 percent in 2003-04 and 8 percent in 2004-05 and 8.5 percent in 2007-08. Year of 2008-09 has not been also so bad despite worldwide economic meltdown.

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<sup>1</sup>Joint Director, National Institute of Labour Economics Research and Development, NITI Aayog, Govt of India Delhi 110040

Note : However the views and findings expressed in the paper are that of the author, and not necessary of the organization to which he belongs.

The Eleventh Five-Year Plan had noted that food processing was a sunrise sector and was highly labour-intensive. The plan proposed policies and programmes to encourage the growth of food processing along with other sectors such as leather products, footwear, textiles, tourism and construction to create additional employment opportunities to the tune of 65 million during the plan period (GoI 2006: 74).

In India, services sector, as a whole, contributed as much as 68.6 per cent of the overall average growth in gross domestic product (GDP) between the years 2002-03 and 2006-07. During 2011-12, the growth rate of the service sector is about 9.4 percent and its total contribution to India's GDP is about 56.3 percent.

### **Hypotheses**

Certain hypotheses have been framed for the study: The hypotheses are:

- 1) Whether increases in investment, increased FDI and government initiatives (resulting in increased scale of operation) resulted in increase in employment in certain sectors?
- 2) Whether change in production techniques/processes (be imported or indigenous – due to change in relative prices) in favour of capital intensive technology replaces labour?
- 3) Whether outsourcing and sub-contracting of certain operations results in employment decline? This may be because of rise in wages, restrictive labour regulations and desire to keep costs down, employers are increasingly relying on outsourcing major operations.

### **A. Apparel Industry**

Apparel industry is one of the largest employment providing sectors in the country. The apparel is the finest value added segment of the textile industry. The Industry proudly supports 7 million people as a part of its workforce, and aims to double this figure by 2011-12; even today it is the second largest provider of employment in the country. For every INR 100000 Invested in the industry, an average of 7 additional jobs created. The Apparel sector also contributes to 7% of India's total exports. Apparel sector is the single largest sector which is earning maximum foreign exchange for the nation. Totally 15 percent of the exports are from the apparel segment. The sector has total employment of 3.66 million in 1999-2000 which has increased to 8.92 million for the year 2004-05 with the annual compound growth rate of 19.5 percent between 1999-2000 and 2004-05 which was a remarkable growth rate. However, a negative growth (almost - 4 percent) per annum was registered for the period between 2004-05 and 2009-10. The employment has come down from 8.92 million in 2004-05 to 7.32 million in 2009-10 an absolute decrease of 1.60 million.

Country's share in the global apparel markets is 2.8 percent. The export basket of the Indian textiles industry consists of a wide range of items: readymade garments, cotton textiles, handloom textiles, man-made fibre textiles, wool and woollen goods, silk, jute and

handicrafts, including carpets. Among all these items RMG alone dominates with more than 50 percent of the total export of textile items.

At present, industry accounts for about 14% of our total industrial production and contributes to nearly 15% of total exports. It provides direct employment to about 35 million people and another 56 million are engaged in allied activities. The organized segment of wearing apparel manufacturing accounts for a fraction of total employment in this sector; while the first half of the decade saw an increase by a million new workers in the organized segment, in the latter half of the decade the organized segment, like the unorganized segment, lost a million workers.

**Table1: State wise employment in Apparel Sector**

Sl. No.	States	2004-05	% share	2009-10	% share
1	Andhra Pradesh	540392	6.1	701685	9.6
2	Bihar	275497	3.1	315800	4.3
3	Chhattisgarh	54469	0.6	84597	1.2
4	Delhi	377264	4.2	372157	5.1
5	Gujarat	416188	4.7	450821	6.2
6	Haryana	171741	1.9	229596	3.1
7	Himachal Pradesh	24303	0.3	36967	0.5
8	Jharkhand	43799	0.5	41289	0.6
9	Jammu & Kashmir	41118	0.5	66604	0.9
10	Karnataka	598425	6.7	524555	7.2
11	Kerala	328928	3.7	298796	4.1
12	Maharashtra	1008748	11.3	761300	10.4
13	Madhya Pradesh	293301	3.3	210579	2.9

14	Orissa	83938	0.9	113368	1.5
15	Punjab	196999	2.2	253775	3.5
16	Rajasthan	294834	3.3	268326	3.7
17	Tamil Nadu	666392	7.5	636474	8.7
18	Uttar Pradesh	1092975	12.3	1092269	14.9
19	West Bengal	660265	7.4	775245	10.6
20	Other States/UTs*	1750530	19.6	88871	1.2
	Total	8920105	100.0	7323073	100.0

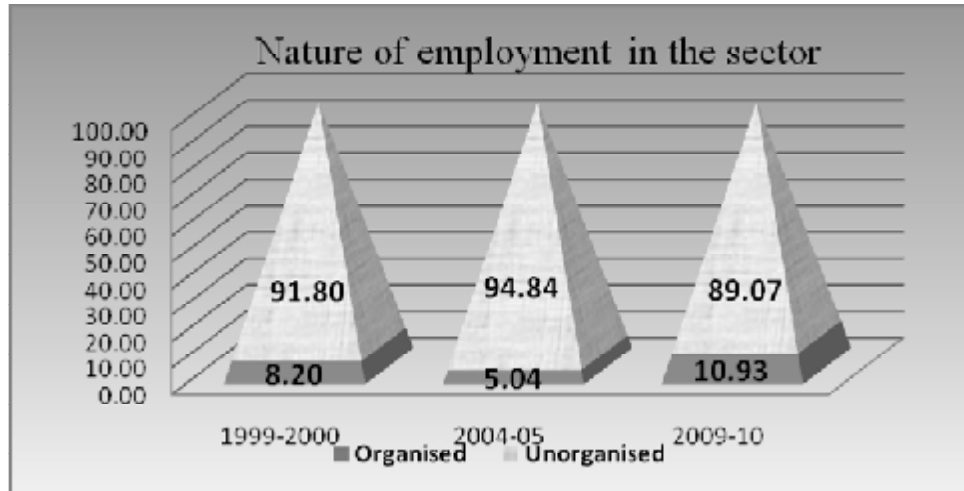
Source: NSSO data for 2004-05 and 2009-10

\* Other states/UTs include Goa, Uttarakhand, Daman Diu, Dadra Nagar Haveli, Puducherry etc.

The state wise share of employment in apparel sector is presented in following table. Out of the total employment of 8.92 millions in 2004-05, six states (Uttar Pradesh, Maharashtra, Tamil Nadu, West Bengal, Karnataka, and Andhra Pradesh) are contributing more than 50 percent of the employment. Among the state wise analysis, some state has shown an increase in employment in 2009-10. Among the big states Maharashtra's share in total employment in the sector has shown a decline in employment in 2009-10. Andhra Pradesh, Gujarat, Uttar Pradesh share shown better growth in 2009-10.

Out of the total employment of 3.66 million for 1999-2000 (36,61,431 actual works) only 8.20 percent that is 0.30 million (296456 workers) are from the organized workers of the sector. Remaining 92 percent workers are unorganized in nature. The organised segment employment in the apparel sector for 2004-05 has been decreased to 5.04 percent from 8.20 percent in 1999-2000. Afterwards, an upward trend in was observed in the organised portion of the employment in the sector. It has been doubled to 10.93 percent for 2009-10 as compared with 5.04 percent in 2004-05.

**Chart 1 : Organsied and unorgansid segment of employment**



Source: NSSO and ASI data for 1999-2000, 2004-05 and 2009-10

Wearing apparel had seen such a sharp increase in the employment in the first half of the decade that employment elasticity had reached an astonishing 18.3, only because the growth rate of GVA was under 1% per annum in the same period. However, when employment in the wearing apparel was collapsing in the second half of the decade GVA was galloping at 7.8% per annum, thus suggesting that the brunt of the adjustment following the collapse in demand was borne by workers, and not by capitalists (Planning Commission, 2011). The Apparel sector recorded a decline of 0.35% in 2009-10 against 2008-09 due to global downturn.

India’s exports of readymade garments (RMG) accounted for US\$7853.85 million for the period January – September 2008 with an increase of 10.72 per cent compared to the same period in previous year. During the month of September 2008, RMG exports accounted for US\$706.54 million with a slight increase of 0.82 per cent for the same month in the previous year

**Table 2: Export trend of the sector (in US \$ Million)**

Year	Apparel	% to total exports	Textile	% to total exports	Manu- facturing	% to total exports	Total Exports
1955-96	3675.6	11.6	8031.6	25.3	23747	74.7	31794.9
1999-2K	4765.1	12.9	9822.1	26.7	29714.4	80.7	36822.4



2004-05	6561.4	7.9	13555.3	16.2	60730.7	72.7	83535.9
2005-06	8617.7	8.4	16402.1	15.9	72562.8	70.4	103090.5
2006-07	8892.3	7.0	17373.2	13.7	84920.4	67.2	126414.1
2007-08	9687.1	5.9	19425.7	11.9	102978.8	63.2	162904.3
2008-09	10935	6.0	20016.4	10.9	123148.9	67.4	182799.5
2009-10	10705.6	6.0	19853	11.1	115180.7	64.4	178751.4
2010-11	11203.7	4.4	23312.2	9.2	168098.1	66.1	254402.1

Source: Directorate General of Commercial Intelligence and Statistics

### B. Textiles Industry

The Indian apparel and textile industry employs around 7.32 million people, yields 1/5th of the total export earnings and contributes 4 % to the GDP thereby making it the largest industrial sector of the economy (2005). As a matter of fact, the apparel and textile is the largest foreign exchange earning sector in the country.

Employment in textiles units, including the apparel sector, has declined by 1.21 lakh as on March 2011 as compared to December 2010. The Labour Bureau, under the Ministry of Labour and Employment, conducted a survey during January-March 2011 to assess the impact of economic slowdown on employment, Minister of State for Textiles said in a written reply to Rajya Sabha. The study covered important sectors, including textiles and handlooms. Referring to the data, the minister said, "733 textile units, including apparel were surveyed and noticed that the employment has declined by 1.21 lakh during March 2011 over December 2010. ([www.cottonyarnmarket.net](http://www.cottonyarnmarket.net))

Indian textile and apparel industry is one of the largest in the world with US\$ 19 billion of export and US\$ 30 billion of domestic textile and apparel during 2006-07 (P). The industry has, over the years, contributed significantly to national output, employment and exports. At present, industry accounts for about 14% of our total industrial production and contributes to nearly 15% of total exports. It provides direct employment to about 35 million people and another 56 million are engaged in allied activities. The textile export has registered a growth of 10 percent to 19.24 billion during 2006-07 (P) from US\$ 17.85 billion during 2005-06. The Industry has a potential to reach a size of US\$ 85 billion by 2010. With

its consistent growth performance and abundant cheap skilled manpower, there are enormous opportunities both for domestic and foreign investors to make investments in textile sector in India.

**Table3: Export of Readymade Garments and other textiles (Rs. crores)**

Year	RMG Exports	Total Export of Textiles	% RMG in total textiles	Other textiles
2001-02	22027.52	45379.38	48.5	51.5
2002-03	23003.10	47068.00	48.9	51.1
2003-04	22772.80	48332.70	47.1	52.9
2004-05	22772.80	48332.70	47.1	52.9
2005-06	35358.49	69845.55	50.6	49.4
2006-07	37506.17	78683.01	47.7	52.3
2007-08	36497.79	81298.67	44.9	55.1
2008-09	47110.00	89312.06	52.7	47.3

Source: Foreign Trade Statistics of India (Principal Commodities & Countries), DGCI&S

Textile is the major employer in the manufacturing sector and accounts for 16.8 percent of all manufacturing employment in 2009-10 though it has observed a declining trend from 18 percent in 1999-00. Over the decade the sector has observed a jobless growth.

**Table4 : Share of Textile Sector's Employment in Manufacturing Sector and overall Economy**

Sectors	Employment( millions)		
	1999-00	2004-05	2009-10
Share of Textile in Manufacturing (%)	17.8	18.1	16.8
Share of Textile in Total (%)	1.98	2.21	1.83
Total Employment( in millions)	396.76	457.46	460.22

The textile industry in India is highly fragmented. It is vertically integrated across the whole value chain and interconnected with various operations. The organised sector consists of spinning mills and composite mills. The unorganised sector consists of handlooms, power looms and handicrafts. The major sub segments of the textile industry are cotton, blended, silk, wool and manmade. The major products in which Indian textile industry deals is readymade garments, suiting and shirting, shirts and trousers, fabrics, bed linen and embroidery work.

#### *Major Textile Sub Sectors*

##### *Power loom Sector*

This part of industry includes fiber and filament yarn manufacturing units. The Power looms sector is decentralized and plays a vital role in India Textiles Industry. It produces large variety of cloths to fulfill different needs of the market. It is the largest manufacturer of fabric and produces a wide variety of cloth. The sector contributes around 62% of the total cloth production in the country and provides employment opportunities to 4.86 million people.

##### *The Cotton Sector*

Cotton is one of the major sources of employment and contribute in export in promising manner. This sector provides huge employment opportunities to round 50 million people related activities like Cultivation, Trade, and Processing. India's Cotton sector is second largest producer of cotton products in the world. The Cotton/Man-made fiber textile industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes & chemicals. As on 30.11.2011, there were 1946 cotton/man-made

fiber textile mills (non-SSI) in the country with an installed capacity of 43.13 million spindles 5,20,000 rotors and 52,000 looms (Annual Report 2011-12, Ministry of Textile). The new Textile Policy aims at improving the quality of cotton to that of international standards through effective implementation of the Technology Mission on Cotton (TMC)

#### *The Handloom Sector:*

The handloom sector lays a very important role in the country's economy. It is the second largest sector in terms of employment, next only to agriculture. This sector accounts for about 15% of the total cloth produced in the country (excluding wool, silk and Khadi- (Source- Annual Report 2011-12, Ministry of Textile).

The handloom Sector employs 43.31 lakh persons in weaving an allied activities with 23.77 lakh handlooms. This sector is weaver specific/occupational in nature, with the majority of weavers belonging to the poorest and the marginalized sections of the society. Of the total adult workforce, 10% of the workers are SC, 18% are ST, 45% are OBC and 27% are from Other Castes as per the report of Handloom Census of Indi (2009-10).

For assisting the Handloom Weavers, including SC/ST and women, the Government of India is implementing various developmental schemes through state Governments with the objective of (i) Employment Generation, (ii) Modernization and upgradation of technology, (iii) Input Support, (iv) Marketing support, (v) Publicity & Exhibition, (vi) Infrastructural support, (vii) Welfare measures, (viii) Development of Exportable Products (ix) Research & Development

#### *The Handicraft Sector:*

The Indian handicrafts industry is highly labor intensive, cottage based and decentralized industry. It plays a significant & important role in the country's economy. It provides employment to a vast segment of craft persons in rural & semi urban areas and generates substantial foreign exchange for the country, while preserving its cultural heritage.

Office of the Development Commissioner (Handicrafts) has six generic schemes viz. Baba Saheb Ambedkar Hastshilp Vikas Yojana; Design and Technology Up-gradation Scheme; Marketing Support Services Scheme; Export Promotion Schemes; Research & Development Schemes & Human Resource Development. All these schemes play a vital role in the empowerment and upliftment of women artisans and artisans belonging to Scheduled Castes and Scheduled Tribes.

Of total workforce engaged in handicrafts, estimated 56.1% are women, and 28.30% belong to SC/ST category (Source: Census Survey, 2011-12). There are certain crafts, which are practiced predominantly by women like embroidery, mat weaving, etc. Special attention is being paid to ensure that a large number of women artisans get benefit of all the developmental schemes, such as training, marketing related programmes, National Awards,

exhibitions, etc. Out of total Budget allocations of Rs.245 crore for 2011-12, Rs.28 crore was earmarked for SC category & Rs.2.00 crore was for ST category.

*The Woolen Sector:*

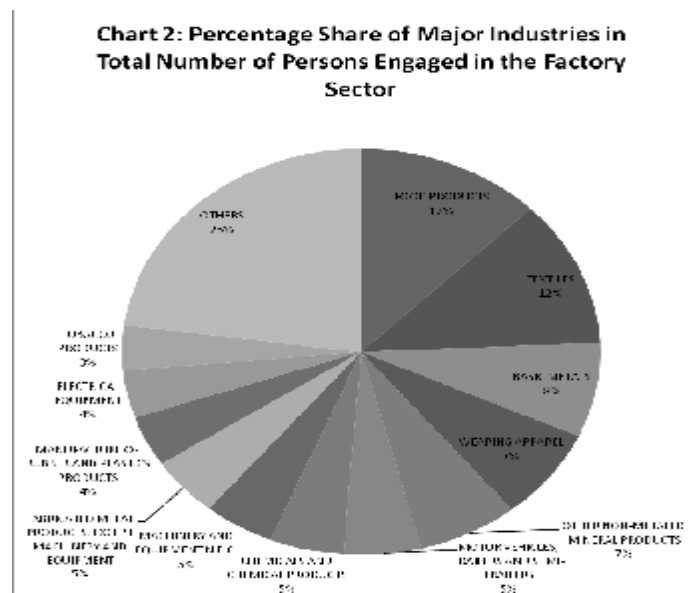
The Woolen Textile sector is an Organized and Decentralized Sector. The major part of the industry is rural based. India is the 7<sup>th</sup> largest producer of wool, and has 1.8% share in total world production. The share of apparel grade is 5%, carpet grade is 85%, and coarse grade is 10% of the total production of raw wool. The Industry is highly dependent on import of raw wool material, due to inadequate production.

*The Jute Sector:*

Jute Sector plays very important role in India Textile Industry. Jute is called Golden fiber and after cotton it is the cheapest fiber available. Indian Jute Industry is the largest producer of raw jute and jute products in the world India is the second largest exporter of jute goods in world.

*The Sericulture and Silk Sector:*

The Silk industry has a unique position in India, and plays important role in Textile Industry and Export. India is the 2<sup>nd</sup> largest producer of silk in world and contributes 18% of the total world raw silk production. In India silk is available with varieties such as, Mulberry, Eri, Tasar, and muga. Sericulture plays vital role in cottage industry in the country. It is the most labor-intensive sector that combines both Agriculture and industry.



### Exports scenario

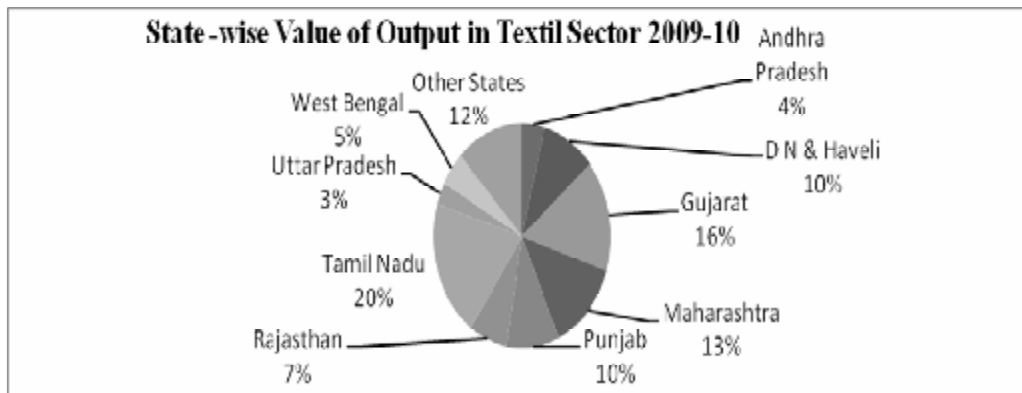
Exports have been the major growth driver of the Indian textile industry. Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textile exports quota stood discontinued. India's textile and clothing (T & C) exports registered a robust growth of 25% in 2005-2006 recording a growth of US\$ 3.5 billion over 2004-05 in value terms thereby reaching a level of US\$ 17.52 billion and the growth continued in 2006-07 with T&C exports of US\$ 19.15 billion recording an increase of 9.28% over the previous year and reached US\$ 22.15 billion in 2007-08 denoting an increase of 15.7% but declined by over 5% in 2008-09. Exports of T&C grew from US\$ 21.22 billion in 2008-09 to US\$ 22.41 billion in 2009-10 and has touched US\$ 26.82 billion in 2010-11. In the financial year 2011-12, export of T&C grew by 28.94% over the period 2010-11.

The details of India's textile exports during the last 4 years is at Table 2.1

### Growth of output in Textile

Index of Industrial Production (IIP) details out that the textile is growing above 6 percent annually after 2004-05 except in 2008-09 when it recorded a steep decline with a negative growth of 3.6 percent which is a period of global economic slowdown. During 2007-08 and 2009-10 its growth rate was even higher than the overall manufacturing sector

**Chart 3: State-wise Output in 2009-10**



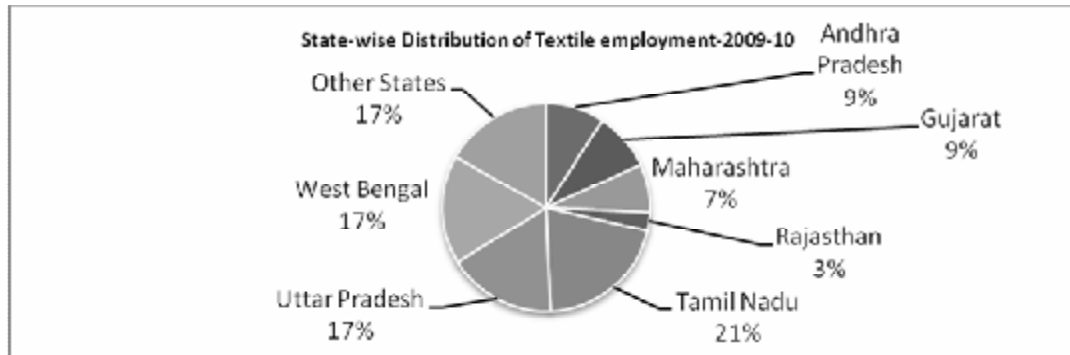
### Geographical Distribution of Textile Employment

The state-wise distribution of employment in textile sector during 2004-05 to 2009-10 reveals that share of textile employment of the state in the total textile employment in India recorded an increasing trend in West Bengal (from 10.7% to 16.8%, a robust growth), Gujarat (from 6.1% to 9.1%), Andhra Pradesh (from 7.5% to 9.1%), Tamil Nadu (from 19.7% to 20.8%), Haryana (from 1.6% to 2.9%), and Maharashtra has a constant share of 7.5 percent while the other states have observed a declining share in textile employment specially

in Uttar Pradesh (from 21.1 % to 17.0%). In 2004-05 the Uttar Pradesh had the highest 21.1 percent textile employment but in 2009-10 the place was replaced by Tamil Nadu and is at the top with 20.8 percent share in the total textile employment. In 2009-10, more than 34 percent of total textile workers are employed in the southern states of India indicating that major textile activities are concentrated in the southern region. It is also observed that the share of textile employment in the overall manufacturing sector employment has decreased at all India level and in majority of the states except in the states Gujarat, Haryana, Tamil Nadu, West Bengal. It is interesting to find that in J&K though the share of textile workers to total manufacturing has declined still more than 50 percent of manufacturing employment is engaged in the textile sector. In Tamil Nadu and Gujarat the textile workers constitute, 33 percent and 22 percent of manufacturing workers respectively.

Regional analysis further indicates that in Northern region the highest concentration of textile activities are found in UP employing 16.6% of textile workers. In Eastern region the highest concentration of textile activities are found in West Bengal (16.4% textile employment) and in Western region the highest concentration of textile activities are found in Gujarat (8.9%) followed by Maharashtra (7.3 %)

**Chart 4: Textile Employment distribution across states, 2009-10**



Source: NSS 66<sup>th</sup> Round 2009-10

#### **Sub Sector wise Distribution of Textile Workers**

The sub sectoral analysis of the textile sector indicates that major employer in this sector are Manufacture of other cordage, rope nets etc (19.7percent) followed by Finishing of textile (17.3 percent)and Weaving, manufacture of cotton and cotton mixture fabrics (13.6 percent). Weaving, manufacture of silk and silk mixture fabrics and man-made fiber and man-made mixture fabrics also together employ around 14 percent of textile workers. Details of other sub sectors is presented in Table 5

**Table 5: Sub Sector wise Distribution of Textile Workers -2009-10**

<b>NIC</b>	<b>Description of the Industry</b>	<b>Workers in number</b>	<b>% Share</b>
17111	Preparation and spinning of cotton fiber including blended* cotton	478806	5.7
17112	Preparation and spinning of silk fiber including blended* silk.	76891	0.9
17115	Weaving, manufacture of cotton and cotton mixture fabrics	1147396	13.6
17116	Weaving, manufacture of silk and silk mixture fabrics	700289	8.3
17118	Weaving, manufacturing of man-made fiber and man-made mixture fabrics	486592	5.8
17119	Preparation, spinning and weaving of jute, mesta and other natural fibers including	167686	2.0
17121	Finishing of cotton and blended cotton textiles	157590	1.9
17124	Finishing of man-made and blended man-made textiles.	75671	0.9
17126	Finishing of other textile	1456308	17.3
17214	Manufacture of bedding, quilts, pillows, cushions and sleeping bags (manufacture	81840	1.0
17215	Manufacture of tarpaulin	118178	1.4
17222	Manufacture of cotton carpets	78514	0.9
17223	Manufacture of woollen carpets	132777	1.6
17226	Manufacture of carpets, rugs and other covering of jute, mesta and coir	141571	1.7



17231	Manufacture of thread, including thread ball making	145367	1.7
17232	Manufacture of jute/hemp rope and cordage	126442	1.5
17239	Manufacture of other cordage, rope nets etc	1664926	19.7
17291	Embroidery work and making of laces and fringes	231432	2.7
17292	Zari work and making of other ornamental trimmings	157856	1.9
17301	Manufacture of knitted and crocheted cotton textile products	295451	3.5
	Other Textile Manufacturing	508845	6.0
	Total	8430428	100

Source: IAMR Paper on “Working Group on Creating Employment in the 12<sup>th</sup> Plan”

#### *Occupation-wise Textile Workers*

The textile sector is dominated by the low skilled workers engaged in Craft and Related Trades and technical activities which is evident from the data in table below. Highly skilled workforce constitute just 10 percent (NCO 13-32), however, workers engaged in Handicraft, Printing, Other Craft and related trades together constitute 67 percent. The other occupations in which technical people are engaged are Machine Operators and Assemblers, Labourers in Manufacturing and Transport.

**Table 6: Distribution of Workers in Textile Sector by Occupations (NCO), 2009-10**

NCO Code	Description of Occupation	Employed	% Share
13	Corporate Managers	676977	8.0
21	General Managers	10443	0.1

22	Physical, Mathematical and Engineering Science Professionals	22454	0.3
31	Other Professionals	125908	1.5
32	Physical and Engineering Science Associate Professionals	18918	0.2
42	Office Clerks	73786	0.9
51	Customer Services Clerks	17969	0.2
61	Models, Sales Persons and Demonstrators	23325	0.3
72	Extraction and Building Trades Workers	10801	0.1
73	Metal, Machinery and Related Trades Workers	26249	0.3
74	Precision, Handicraft, Printing and Related Trades	544965	6.5
81	Other Craft and Related Trades Workers	5107298	60.6
82	Stationary-Plant and Related Operators	22059	0.3
83	Machine Operators and Assemblers	869181	10.3
91	Drivers and Mobile Plant Operators	23318	0.3
92	Sales and Service Elementary Occupations	51680	0.6
93	Agricultural, Fishery and Related Labourers	39269	0.5
99	Labourers in Manufacturing and Transport	713806	8.5
Total	WORKERS NOT CLASSIFIED BY OCCUPATIONS	22103	0.3
	Total	8430427	100.0

Source: IAMR Paper on “Working Group on Creating Employment in the 12<sup>th</sup> Plan”

*Textile workers in Organized and Unorganised*

Small scale unorganized sector dominate the industry. In the proportionate term if we see unorganized employment has increased from 72.5% to 73.9% in the first half of the decade and then declined to 66.7% during second half of the decade hence a corresponding increase in the organized sector. It can be seen from the data that in a absolute term the employment in the organized has grown continuously over the decade 1999-10 to 2009-10 (Table 7)

**Table 7: Employment by Organised and Unorganised Sector in Textile Sector  
(In Millions)**

Year	Organised	Unorganised	TOTAL
1999-2000	2.17 (27.64 )	5.69 (72.46)	7.85
2004-2005	2.64 (26.14)	7.46 (73.86)	10.10
2009-2010	2.81 (33.33)	5.62 (66.67)	8.43

Figures within parenthesis are percentage distribution

Source: Reports of NSSO

From the above it is evident that in this sector the employment is generated in the organized segment of this sector which is a good indicator but still the sector is dominated by informal employment). Such a structure may be arose due to the policies on tax, labour and other regulations that favoured small scale, labour intensive enterprise and the regulations are less stringent.

**Table 8: Trend in Some ratio's of capital (K), output (Y) and employment (N)**

Year	Capital Productivity (Y/K)	Capital Intensity (K/N)	Labour Productivity (Y/N)
1990-91	3.6	10.3	37.3
1997-98	1.5	34.1	52.7
2000-01	1.4	4.0	6.4
2004-05	1.8	4.4	7.8
2009-10	1.5	9.7	14.3

Source : Annual Survey of Industries

### **C. Food Processing Industry**

Food processing industry is the vital link between the two pillars of the Indian economy, namely Industry and Agriculture. Food processing industries have been one of the fastest growing segments in manufacturing in 2010-11 contributing 27 per cent to average industrial growth, i.e., more than three times its weight in the Index of Industrial Production (IIP) (Economic Survey, 2011).

While India has an abundant supply of food, the food processing industry is still nascent: only two per cent of fruit and vegetables; and 15 per cent of milk produced are processed (MOFPI, 2009). The industry has a large unorganized segment with a 68% share out of 5.48 million people employed in 2009-10 (NSSO, 2009-10). This sector proved to be job loosing. Although the output grew at 6.9 per cent during 2004-5 to 2009-10 but could not generate employment in unorganised sector during the plan period. Employment grew meagerly in the organized segment of the sector at 10.7% whereas growth in unorganized sector was negative at -0.7% (NAS, 2011). Currently, there is no systematic and scientific data pertaining to the food processing sector based on harmonized concepts, definitions and classifications are available (MOFPI, 2012). Most of the available data are sourced from different functional ministries/departments, business associations, research institutions and NGOs.

Sector has huge employment potential at a very low rate of investment for eggs the fruits and vegetables farming for processing is not only employment intensive but also enhances the gross as well as net returns of the farmers (Rao 1994; Acharya 1997; Dileep et al 2002). During the last decade, the output (GVA) grew at a positive rate of 5.62 per cent but employment in the sector declined at 0.81 per cent. Thus, exhibiting a negative employment elasticity of 0.15.

#### **Production, processing and preservation of meat, fish, fruit, vegetables, oils and fats (NIC-151)**

About one-third of the employment of the sub-sector is engaged in the (i) Production, processing and preservation of meat, and meat products (NIC-1511) and (ii) Manufacture of vegetables and animal oils and fats (NIC-1514) while one-fourth of the employment in the sector is engaged in Processing and preservation of fruit, vegetables, and edible nuts (NIC-1513)

#### **(ii) Manufacture of dairy products (NIC-152)**

The sub-sector employs only 7.7 per cent of the total work force in the food processing sector. The major chunk of employment (39 per cent) is in Mfg. of butter, cream, gee, cheese, and khoya etc. (NIC-15203) followed by 23 per cent in Mfg. of pasteurized milk (NIC-15204) and 20 per cent in Mfg. of ice creams, kulfi etc. (NIC-15205)

**(iii) Manufacture of grain mill products, starches and starch products and prepared animal feeds (NIC-153)**

This sub-sector employs more than 30 per cent of the total employment in the food processing sector. About 97 per cent of the employment in this sub-sector is engaged in grain milling industries (NIC-1531). Within grain milling industries, rice milling (NIC-15312) engages 44 per cent of the workers of this sub-sector while Flour milling (NIC-15311) and Manufacture of breakfast foods (NIC-15316) are the next employers which engages 30 per cent and 11 per cent shares respectively of the grain milling.

**(iv) Manufacture of other food products (NIC-154)**

This is another important sub-sector of the food processing industries and provides employment to 22.6 lakh persons which constitutes 41.2 per cent of the total employment in food processing industries. The major employer industries in this sub-sector are manufacture of bakery products (which includes manufacture of biscuits, bread and pastries, etc) (NIC-1541), manufacture of cocoa, chocolate and sugar confectionary (NIC-1543) and manufacture of sugar (NIC-1542).

**(v) Manufacture of beverages (NIC-155)**

The share of this sub-sector in terms of employment is only 6.5 per cent in the total employment of food processing sector. More than 50 per cent of the employment of this sub-sector is engaged in manufacture of soft drinks and mineral water (NIC- 1554) followed by 30 per cent in manufacture of malt liquors and malt (NIC-1553). The rest of employment is engaged in manufacture of wines and alcohols.

The strategy for future employment planning will rely on how the trends behaved in past. This section provides the trends for employment, GVA and investment for the food processing industries during 1999-00 to 2009-10. Since this sector is a bit complex consisting of a variety of heterogeneous industries, the trends for various sub-sectors in organized and unorganized sector have also been analyzed. A broad composition of type of employment is given below

**Broad employment Trends**

Table-2 examines the degree of structural change that is taking place in respect of employment in manufacturing and food processing industries as shown by NSS data for the decade of the 2000s.

As per 2009-10 data of NSSO, this sector employed 5.48 million persons constituting 10.8 per cent of total employment in the manufacturing sector and 1.2 per cent of the total workforce in the economy. However, the employment in this sector has declined by about 0.47 million during the last decade. The loss of employment was more visible in the first half of the decade. when about three lakh (or about 1%) jobs were reduced while in second half,

about 1.6 lakh (or about 0.58%) jobs were reduced. It is worth mentioning that growth rate of employment in the manufacturing sector in total rose by 1.42 per cent during the decade but in case of food products and beverages, there was a negative employment growth of (-)0.81%. (rose by 4.83 per cent in the first half and declined by 1.87% in the second half.

As a result of loss in employment, the share of food products & beverages in the manufacturing sector employment has also declined from 13.5 per cent in 1999-00 to 10.8 per cent in 2009-10.

**Table 9: Growth of Employment Growth of Employment in Food Products and Beverages, 1999-2000 to 2009-10**

Sector	Employment (in millions)			CAGR (%)		
	1999-00	2004-05	2009-10	1999/00 to 2004/5	2004/05 to 2009/10	1999-00 to 2009-10
Food Products & Beverages	5.95	5.65	5.48	-1.03	-0.58	-0.81
Manufacturing	44.05	55.77	50.74	4.83	-1.87	1.42
Total Economy	396.76	457.47	460.21	2.89	0.12	1.49
Prop. (%) of Food Prod. & Bev, in Mfg	13.50	10.12	10.81			
Prop. (%) of Food Prod. & Bev, in total economy	1.50	1.24	1.19			

Source: Compiled from unit level data of NSSO by IAMR research team

The importance of organized sector is highlighted by the fact that the organized sector employs about 14 per cent of the manufacturing employment in the country and provides the same number of jobs at a 28 per cent lower capital investment compared to manufacture sector as a whole. The employment in the organized sector of food processing industries did not shrink unlike unorganized sector.

A detailed insight about the organized sector is obtained from ASI data. There was a consistent growth of 1.4 per cent per annum in the number of units engaged in food processing during 1999-00 to 2009-10. According to the employment data, the growth rate of workers in this segment grew at 1.8% during 1999-00 to 2009-10. This trend is rather

contradictory to what was observed in the NSSO data which includes both organized and unorganized sector. In the second half of the decade, the growth in the organized sector was half the growth in the organized manufacturing sector as a whole. This pattern resulted in the a decline of share in total manufacturing from 16.5 per cent in 1999-00 to 13.6 per cent in 2009-10.

**Table 10: Growth of Employment in Food Products and Beverages industries in organized sector, 1999-2000 to 2009-10**

Sector	Employment (in Number)			CAGR (%)		
	1999-00	2004-05	2009-10	1999/00 to 2004/5	2004/05 to 2009/10	1999-00 to 2009-10
Manufacturing	8172836	8453624	11792814	0.68	6.88	3.73
Prop. (%) of Food Prod. & Bev, in Mfg	16.49	15.89	13.62			

Source: Annual Survey of Industries, various issues

The data further suggests that organized manufacturing units including food processing units are providing more employment per unit in 2009-10 as compared to 1999-00. The number of employees per unit in food processing industries increased marginally from 56.3 in 1999-00 to 58.4 in 2009-10. In comparison, total manufacturing was more labour intensive and employed 74 employees in 2009-10 as against 62 in 1999-00.

At 3-digit level of NIC-2004, the industries in this sector are segmented in to five sub-groups while at 4 and 5 digit level, the sector is divided into 17 and 70 sub-groups respectively.

The data given by NSSO at 3-digit level of NIC is placed at Annexure-4. The data reveals that manufacturing of grain mill products (NIC-153) and manufacture of other food products (NIC-154) are the two sub-sectors of food processing industries which together employ more than 75 per cent (38 per cent each) of the workers in 1999-00 (Figure 2 and 3). There was a sharp decline in the share of manufacturing of grain mill products (NIC-153) during the decade and its share fell to 31 per cent in 2009-10. There was a decline in employment in all sub-sectors of food processing industries except in manufacturing of Dairy Products (NIC-152) which experienced an average CAGR of 5 per cent during the decade (2.6 per cent in the first half and 7.8 per cent in second half). Further probing reveals that the decline was sharper during the period 1999-00 to 2004-05. In the second half of the decade,

all sub-sectors except manufacturing of grain mill products (NIC-153) experienced a positive growth in employment.

There was not much change in the structure of employment among various sub-groups. The share of manufacture of beverages (NIC-155) increased from 5.4 per cent in 1999-00 to 7.1 per cent in 2004-05 and further to 8.2 per cent in 2009-10. Similarly, the share of processing of meat, fish, vegetables and fruits (NIC-151) increased by about 2 per cent points. On the other hand, the share of employment of manufacture of other food products (NIC-154) declined from 53.4 per cent in 1999-00 to 50 per cent in 2004-05 and further to 48 per cent in 2009-10.

### Broad employment trends by states

**Table 11: Employment in Food Processing Industries by States during 2004-05 and 2009-10**

States/UT	Employment				Share of employment		Share of FPI in Mfg.	Rank	
	2004-5	2009-10	change	CAGR	2004-5	2009-10		2004-5	2009-10
AP	566134	784183	218048	6.73	10.03	14.30	16.75	4	2
Bihar	209522	141573	-67949	-7.54	3.71	2.58	9.09	10	13
Chhattisgarh	73298	151131	77834	15.57	1.30	2.76	25.54	15	25
Delhi	23196	74512	51316	26.29	0.41	1.36	4.59	19	16
Gujarat	210935	175264	-35671	-3.64	3.74	3.20	5.10	9	10
Harayana	73225	53318	-19907	-6.15	1.30	0.97	3.60	16	18
HP	23866	14611	-9254	-9.35	0.42	0.27	10.72	18	22
Jharkhand	80540	49165	-31374	-9.40	1.43	0.90	6.32	14	19
J & K	47853	39502	-8351	-3.76	0.85	0.72	8.27	17	20



Karnataka	250825	285315	34490	2.61	4.44	5.20	10.29	7	7
Kerala	361203	351740	-9463	-0.53	6.40	6.41	20.96	6	6
Maharashtra	705544	549062	-156482	-4.89	12.50	10.01	10.07	2	4
MP	224668	163131	-61537	-6.20	3.98	2.97	9.32	8	11
Orissa	177904	185091	7187	0.80	3.15	3.37	12.89	12	8
Punjab	125967	132911	6944	1.08	2.23	2.42	9.93	13	14
Rajasthan	181524	176379	-5145	-0.57	3.22	3.22	10.22	11	9
TN	466500	403791	-62709	-2.85	8.26	7.36	7.87	5	5
UP	934902	804549	-130353	-2.96	16.56	14.67	11.45	1	1
WB	608590	711253	102663	3.17	10.78	12.97	10.96	3	3
Other states	299525	238181	-61344		5.31	4.34			
India	5645721	5484663	-161058	-0.58	100.00	100.00	10.81		

Source: Compiled from unit level data of NSSO team by IAMR Research

These states employ more than 95 per cent of the total workforce in food processing industries. It is interesting to note that in 2009-10, four states viz., UP, Andhra Pradesh, West Bengal and Maharashtra together employed about 52 per cent of the total workforce in the sector. UP employed maximum workers (14.67 per cent) followed by 14.30 per cent in Andhra Pradesh, 12.97 per cent in West Bengal and 10.01 per cent in Maharashtra. The same four states were the major employers in 2004-05 also; though the ranking has changed.

At all India level, 10.8 per cent of the employment in manufacturing sector was employed in food processing sector. It is observed that within states the share of employment in food processing industries in the total manufacturing varies from 57.6 per cent in Lakshadweep to 2.4 per cent in Manipur. The other states with higher proportion of food processing employment in the total manufacturing are Chhattisgarh (25.5%), Assam (24.7%), Meghalaya (21.5%), Uttarakhand (20.4%), Kerala (21%), Tripura (20%), Sikkim (17.3%). However, the four states with major contribution to food processing employment in India had a comparatively smaller share within the state manufacturing employment. The proportion of these states may be small due to their broad population base. The share of food processing

employment in the total manufacturing in UP was 11.5%, in West Bengal 11 %, in Maharashtra 10.1% and in Andhra 16.8%. Clearly, all these states are big states and have other manufacturing activities as well, while smaller states (which are not so industrialised) may have smaller food processing units in the unorganised sector and thus have a larger proportion.

### **Growth in employment in food processing industries in different States, 2004-05 to 2009-10**

A close look at the data in Annexure-2 reveals that during 2004-05 to 2009-10, employment in food processing industries at all India level declined by about 1.6 lakhs. The major employment lossing states were Maharashtra (1.56 lakhs), UP (1.30 lakhs), Tamilnadu (0.63 lakhs) and MP (0.62 lakhs). It is interesting to note that Maharashtra, UP and Tamilnadu are the states that have largest share of employment in food processing industries i.e., they account for around 35 per cent of total employment share. Being big states, these states have a bigger base year figure and hence the decline in employment in percentage terms may not seem to be large. However, in terms of CAGR, Jharkhand and Himachal Pradesh suffered the maximum decline (9.4% each), followed by Bihar 7.5%, MP (6.2%) and Haryana (6.15%)

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### **Broad GVA trends**

The gross domestic product (GDP) for manufacturing as a whole went up by Rs 2350614 crores in the last decade with growth rate of 7.69 per cent (Table-4) with the second half performing much better than the first. Food and beverage sector witnessed a similar trend with the over all growth by 5.62%. Interestingly the second half of the decade saw a growth rate almost same as manufacturing in total. This could be due to the fact that in the second

half of the decade attracted more FDI as compared to the first half. and sector, Even though the growth rates have been good but the share of food and beverage in total manufacturing has been declining over the past decade. This could be due to the fact that share of some industry like manufacture of rubber and petroleum products (NIC-23+25), manufacture of motor vehicles etc. (NIC-34+35) and manufacture of electric machinery (NIC-31+32) has increased significantly during the decade.

**Table 12: Growth in Contribution of Food Processing Industries to GDP, 1999-00 to 2009-10 (2004-05 prices)**

Sector	GVA (Rs. Crore)			CAGR		
	1999-00	2004-05	2009-10	1999-00 to 2004-05	2004-05 to 2009-10	1999-00 to 2009-10
Food Products & Beverages	38252	44355	66078	3.05	8.25	5.62
Manufacturing	331758	453225	713428	6.44	9.5	7.96
Total Economy	2143129	2971464	4493743	6.75	8.62	7.69
Prop. (%) of Food Prod. & Bev, in Mfg	11.53	9.81	9.26			
Prop. (%) of Food Prod. & Bev, in total economy	1.78	1.5	1.47			

Source: NAS, 2011

The organized sector scenario reveals that there was an average annual growth of 8.40 per cent in GVA during the last decade. As in overall sector growth, in the organized part also, the second half witnessed a significant growth as compared to first half. The contribution of the FPI organized industry also saw a decline from 11.4 per cent of total manufacturing in 1999-00 to 7.6 per cent in 2009-10. In the case of unorganized sector, despite a higher growth in the first half of the decade, the GVA declined to negative in the second half. The overall growth in GVA during the decade by unorganized sector was one-fourth of the organized sector. The share of organized and unorganized sectors was almost equal in 1999-00 but the share of organized sector became two-third of total in 2009-10.

**Table 13: Growth in Contribution of Food Processing Industries in organized and unorganized sector to GDP, 1999-00 to 2009-10 (at 2004-05 prices)**

Sector	GVA			CAGR			Share (%) in total		
	1999-00	2004-05	2009-10	1999-00 to 2004-05	2004-05 to 2009-10	1999-00 to 2009-10	1999-00	2004-05	2009-10
Organised	19608	22148	43910	2.47	14.67	8.40	51.26	49.93	66.45
Unorganised	18644	22207	22168	3.56	-0.04	1.75	48.74	50.07	33.55
Total	38252	44355	66078	3.00	8.30	5.62	100.00	100.00	100.00

Source: NAS, 2011 and IAMR Research team

It is worth mentioning that the contribution of food processing industries in organized (or registered) sector was almost equal to food processing industries in unorganized sector in 2004-05. The contribution of organized food processing industries has just doubled to that of unorganized food processing sector in five years time, i.e., in 2009-10. While contribution of organized food processing industries showed a high positive growth rate (14.7 per cent p.a.), the contribution of unorganized food processing industries was almost stagnant. The GVA share of Food processing industries in manufacturing sector was 9.81 per cent in 2004-05 which declined marginally to 9.26 per cent in 2009-10.

The sub-sector level growth and share of GVA in food processing industries during 2004-05 to 2009-10 (1990-2000 analysis could not be done due to lack of data). At the sub-sectoral level, the share of contribution of manufacturing of other food products (NIC-154) – which is also the largest contributor in FPI, which increased to 36 per cent from 33 per cent in 2009-10.

**Sub-sectoral growth of Food Processing Industries to GDP,  
2004-5 to 2009-10 (at 2004-05 prices)**

Sector	GVA (Rs. Crore)		Share in total		CAGR (%)
	2004-05	2009-10	2004-05	2009-10	
151: Meat, Fish, Fruits, Vegetables & Oils	9236	12224	20.82	18.50	5.77
152: Dairy Products	3509	4762	7.91	7.21	6.30
153: Grain Mill Products	13467	17741	30.15	26.85	5.81
154: Other Food Products	14822	23664	33.41	35.81	9.81
155: Beverages	3421	7687	7.71	11.63	17.58
<b>15: Food Products</b>	<b>44355</b>	<b>66078</b>	<b>100.00</b>	<b>100.00</b>	<b>8.29</b>

Source: NAS, 2011

**Sub-sectoral contribution to GDP by the industries working in organized and unorganized sectors.**

**Table 14: Gross Value Added by Food Processing Industries by sectors of economy (Rs. Crore at 2004-05 prices)**

Sector	2004-05				2009-10				CAGR	
	GVA		Share in total		GVA		Share in total		Orgn.	Unorgn.
	Orgn.	Unorgn.	Orgn.	Unorgn.	Orgn.	Unorgn.	Orgn.	Unorgn.		
151	3683	5553	16.63	25.01	7764	4460	17.68	20.12	16.09	-4.29
152	2528	981	11.41	4.42	3808	954	8.67	4.30	8.54	-0.56
153	3699	9768	16.70	43.99	9326	8415	21.24	37.96	20.32	-2.94
154	9577	5145	43.24	23.17	16491	7173	37.56	32.36	11.48	6.87

155	2661	760	12.01	3.42	6521	1166	14.85	5.26	19.63	8.94
15	22148	22207	100.00	100.00	43910	22168	100.00	100.00	14.67	-0.04

Source: NAS-2011

The industries operating in organized sector witnessed an average growth of 14.7 per cent during 2004-05. On the contrary, the GVA by industries in unorganized sector declined by 0.04 per cent. In the organized sector, highest (20.32 per cent) growth was observed in manufacture of grain mill products (NIC-153) and the lowest (8.54 per cent) was in the manufacture of dairy products (NIC-152). In the unorganized sector, manufacture of beverages (NIC-155) and manufacture of other food products (NIC-154) witnessed positive growth rates of 8.94 per cent and 6.87 per cent respectively. The GVA in other industries in unorganized sector showed a declining trend.

The share manufacturing of grain mill products (NIC-153) and manufacture of beverages (NIC-155) in organized sector increased with a corresponding decline in manufacture of other food products (NIC-154). On the other hand, in unorganized sector, the share of manufacture of other food products (NIC-154) increased by 9 per cent points with a decline in processing of meat, fish, fruits and vegetables (NIC-151) and manufacturing of grain mill products (NIC-153).

A significant structural change has also been observed from this analysis. The share of contribution from organized sector industries has increased from 50 per cent in 2004-05 to about 67 per cent in 2009-10. Though the contribution from organized sector has increased in all the sub-sectors, the change in processing of meat, fish, fruits and vegetables (NIC-151) and manufacturing of grain mill products (NIC-153) is worth-mentioning.

In terms of organised/ unorganised, the entire growth in GVA was through organized sector industries as there was no growth by unorganized sector industries and three of the five sub-sectors in unorganized sector reported negative growth. During the period 2004-05 to 2009-10, 17.6 per cent growth in GVA has been provided by manufacture of beverages (NIC-155) which is maximum among all the sub-sectors of food processing industries. Its interesting to note that share of organized in total FPI increased from around 40 per cent to 64 per cent.

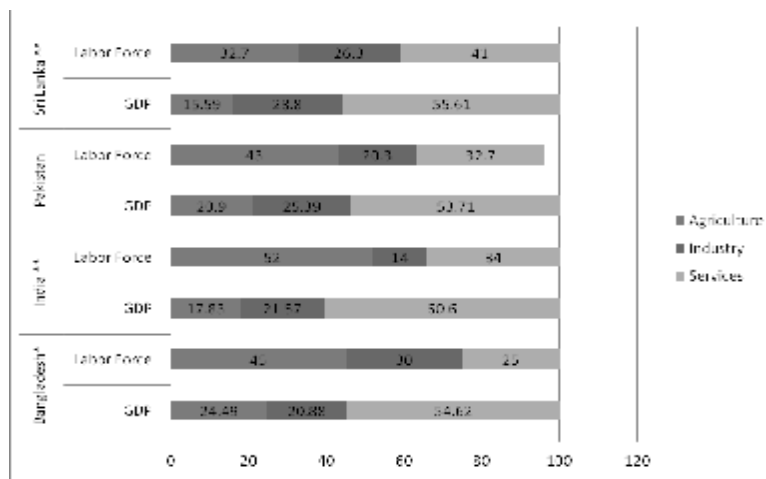
The data suggests that in 2004-05, the contribution of GVA by industries organized and unorganized sector was 50:50 but during the five years time, the contribution by organized sector industries has increased significantly and organized sector industries are now contributing two-third of the GVA by food processing industries. In the case of manufacturing of dairy products (NIC-152), 72 per cent of the GVA was through organized sector in 2004-05 which has increased to 80 per cent in 2009-10. Similarly, more than 80 per

cent of the value addition in manufacture of beverages (NIC-155) is through organized sector. In fact contribution of organized sector has increased in all sub-sectors but remarkable is in the manufacture of grain mill products (NIC-153) from 28 per cent to 53 per cent and processing of meat, fish, fruits and vegetables (NIC\_151) from 40 per cent to 64 per cent.

In summary, total employment in food manufacturing sector in India decreased from 5.95 million in 1999-2000 to 5.65 million in 2004-05 and further to 5.48 million by 2009-10. Most of the decrease was accounted for by employment in the unorganized segment of the industry, although there was some increase in the organized segment as well. However, it is important to examine not only the trends for the organized and the unorganized segments separately but also assess whether, within the organized segment, formal employment has been growing at the expense of the informal employment. The conclusion appears to be not only that the organized segments growth in employment has been marginal, despite a growth rate of manufacturing GVA over the decade. The growth of employment in ASI was more as compared to NSSO. The distribution of segment employment between formal and informal suggests that the share of informal employment in organised manufacturing has declined over time.

Chanda (2011) analyses the regional trends in services employment of some South Asian countries. In this region the service sector’s role as a source of employment has not been commensurate with its contribution to output and overall GDP growth across these four countries. The rate of growth of employment in services has tended to be lower than the rate of growth of GDP in services reflecting the fact that services growth in the four selected countries in South Asia has not been very employment-intensive.

**Chart5: Services Sector Contribution to Gross Domestic Product and Employment in South Asian Countries (%)**



GDP = Gross Domestic Product

\* 2008 Figures-for Bangladesh labor force

\*\* 2009 Figures for India labor force

^ 2005 Figures for Pakistan labor force

^^ December 2008 Figures for Pakistan labor force

Note: Except Bangladesh, all other country figure are estimated figures.

Source: Based on national accounts statistics, labor surveys of the various countries, and Central

Intelligence Agency World Fact book, available at  
<https://www.cia.gov/library/publications/the-world-factbook>

For services, the contributions to employment and GVA of the organized and unorganized segments are very different as well. Organized services contribute 31 per cent of all employment in services, but twice as much to total GVA produced by services in the economy. Unorganized services, on the other hand, are very significant in terms of employment generation (69 per cent of all services' sector employment), but contribute much less (45 per cent) than organized services (55 per cent) of all service sector GVA. The CAGR of unorganized segment of services was much higher than the organized segment in the first half of the decade. The CAGR of service sector was 3.7 because of the high growth rate (4.5) in the unorganized segment of service sector. In the later half of the decade the unorganized sector showed a negative growth rate bringing down the growth rate of service sector at less than 1 per cent (0.6%). However, the organized segment exhibited more than 3 per cent growth.

The service sector showed an over all growth rate of more than 2 per cent over the decade. The CAGR of the service sector is presented in the following table:

**Table 15: CAGR in Services Employment**

	Total	Unorganized	Organised
1999-2000 to 2004-05	3.7	4.5	1.7
2004-05 to 2009-10	0.6	-0.4	3.1
1999-2000 to 2009-10	2.1	2.0	2.4

Source: computed from NSSO data,



The Trade sector is the largest employer among the services sector and third largest among the non-agricultural sectors after construction and total manufacturing. The sector accounts for 20.2% of non agricultural employment and 37.4% of service sector employment. Over the past decade, trade and repair sector witnessed an absolute increase in employment of 6.9 million workers, an increase in magnitude greater than manufacturing sector taken as a whole. The sector experienced an increase of 6.8 million workers in the first half of the decade (1999-2000 and 2004-5). In the second half (2004-5 and 2009-10) there was an absolute increase in its employment by less than 1 million (0.2 million). The sector provides employment to 43.5 million people

### **Whole Sale Trade**

**Table 16: Employment in Trade (millions)**

Year	Employment (million)
2009-10	43.5
2004-05	43.4

Source: NSSO, 66<sup>th</sup> round

Trade sector accounts for a share of 9.5 per cent in total employment and 15 per cent in country's GVA. The CAGR of employment of trade sector as a whole is 1.40 and that of GVA is 9.75 over the decade giving rise to employment elasticity with respect to GVA as 0.14.

**Table 17: The share of Trade in Total Employment, Non Agricultural Employment and Service Employment**

	Total Employment	Non Agricultural Employment	Service Employment	GVA
<b>2009-10</b>	9.5	20.2	37.4	15
<b>2004-05</b>	9.5	21.8	38.4	14.6

Source: NSSO, 66<sup>th</sup> round

The share of service sector in India's GDP at factor cost has increased from 33.5 per cent in 1950-51 to 64.4 per cent in 2011-12, if construction is included (Economic Survey).

Among the various sub sectors, the share of trade, hotels and restaurants as a group is the largest contributor to GDP with a share of 16.9 per cent. The share of trade remained almost constant at 15.4 per cent during 2006-07 to 2010-11 period.

**Table 18: Share of trade in services GDP at factor cost (current prices) (Per cent)**

Year	Share
2006-07	15.4
2007-08	15.4
2008-09	15.3
2009-10	15.1
2010-11	15.4

Source: Economic Survey (computed from Central Statistical survey data)

There are two components of Trade: Whole sale and Retail. Whole sale trade is a form of trade in which goods are purchased and stored in large quantities and sold, in batches of a designated quantity, to resellers, professional users or groups, but not to final consumers. (Section G, NIC, 2004 Based on International Standard Industrial Classification). Wholesale trade provides employment to more than 5 million people in 2009-10 in the country. Of this, more than 4 million people are engaged in unorganized segment and less than 1 million people are engaged in organized segment of Whole sale Trade sector.

**Table 19: Employment (million) in Wholesale Trade**

year	Total	Unorganised	Organised
1999-2000	3.56 (100)	3.13 (87.9%)	0.43 (12.1%)
2004-05	5.44 (100)	4.74 (87.1%)	0.70 (12.9%)
2009-10	5.32 (100)	4.51 (84.8%)	0.81(15.2%)

Source: NSSO, 56<sup>th</sup>, 61<sup>st</sup> and 66<sup>th</sup> round. The figures in the parentheses show the corresponding shares

### A. Software Industry

The Enterprise Resource Planning (ERP) boom and the upshots of the Y2K concerns further contributed to the increase in its exports and, during 1991-96, the software industry of India grew at a rate that was ten times higher than the growth of her GNP. The burst in the dot com bubble of 2000 resulted in a drastic fall in software exports and, as a slowdown set over the industry, many young companies were forced to shut down or reduce production. This slowdown, however, lasted only a couple of years and the industry gained an upward swing in late 2002 and early 2003 and is booming at present.

In 2009-10, there is about 1,800,590 people are employed in computer and related activities. About 1,767,537 people are employed in this industry in principle status and about 33,053 as subsidiary status involving about \$ 80 billion revenue. NASSCOM, the leading association of IT-BPO industries in India says that about 2.8 million people are employed in IT-BPO industries in 2012. This 2.8 million also include the people working outside India working for the Indian companies. NASSCOM also says that IT-BPO industries has indirect employment of 8.9 million.

The services sector covers a wide range of activities from the most sophisticated information technology (IT) to simple services provided by the unorganized sector such as the services of the washer man and carpenter.

#### Issues:

1. There is found a decline in apparel sectors' employment during the reference period 2004-05 to 2009-10. But then why there is negative growth in apparel sectors' employment?

**Table 20: Employment in Computer and its related activities (in millions)**

	1999-2000			2004-05			2009-10		
	Total	O*	U**	Total	O*	U**	Total	O*	U**
72 Computer and related activities	0.32	0.13	0.20	0.90	0.31	0.58	1.81	0.41	1.40
% to total services	0.34	0.20	0.70	0.80	0.38	1.87	1.56	0.51	3.87

Percentage of Org. & Unorg.	100	40.63	62.5	100	34.44	64.44	100	22.65	77.35
Growth				281.25	238.46	290	201.11	132.26	241.38
<b>Total Services</b>	<b>94.20</b>	<b>65.62</b>	<b>28.57</b>	<b>112.81</b>	<b>81.72</b>	<b>31.09</b>	<b>116.34</b>	<b>80.17</b>	<b>36.18</b>
<b>Total Workforce</b>	<b>396.76</b>	<b>342.64</b>	<b>54.12</b>	<b>457.46</b>	<b>394.90</b>	<b>62.57</b>	<b>460.22</b>	<b>387.34</b>	<b>72.87</b>

O\*: Organised, U\*\*: Unorganised

Source: various rounds of NSS.

The total employment in computer and its related activities is 0.32 million in 1999-00. It increases to 0.9 million in 2004-05 and then to 1.81 million in 2009-10. So, growth rate is more than 200 percent from 1999-00 to 2004-5 and 2004-5 to 2009-10. So, it is one of the fastest growing sectors of our economy. Within the services, its share of employment increased from 0.34% to 1.56% during 2000-2010 (more than doubling its share every half decade). In spite of significant increase in size of employment, its share in services is not increasing much.

Majority of the employment is in organized sector. About 77 percent of the employment is in organized sector and only 23 percent is in unorganized sector in 2009-10. The proportion of organized segment is increasing over the years. The organized sector comprises only 62 percent in 1999-00 but it increases to 64 percent in 2004-5. So, there is slow and steady growth in the proportion of organized sector. Within the services, there is not much growth in the organized segment proportion. The proportion of organized segment within services is 30.32 percent in 1999-2000, decreases to 27.55 percent in 2004-05 and then further increases to 30.73 percent only. So, from 1999-2000 to 2009-10, organized segment proportion increases only by 0.41 percent. In comparison with it, growth of organized segment in computer sector is quite significant. In case of total workforce in 2009-10, only 15.8 percent workers are in organized sector. So, number of workers in computer activities in organized sector is much higher than those of total workforce of our economy.

**Table 21: Employment in Computer and its related activities, 2009-10**

NIC-98	Description	Total	Share
72100	Hardware consultancy	173302	9.58

72211	Production, supply and documentation of ready-made (non-customized) software	233313	12.90
72212	Production, supply and documentation of ready-made (non-customized) operating systems software	43050	2.38
72213	Production, supply and documentation of ready-made (non-customized) software for business & other applications, where the application is by & large spelt out clearly	29269	1.62
72214	Production, supply and documentation of ready-made (non-customized) computer games software for all platforms	3950	0.22
72291	Analysis, design and programming of custom software, ready to use, including analysis of the user's needs and problems, consultancy on the best solution and production of software to realize this solution	240352	13.29
72292	Development, production, supply and documentation of made-to-order soft-ware based on orders from specific users	273497	15.12
72293	Writing of programmes of any kind following directives of the users	25890	1.43
72294	Web-page designing	58108	3.21
72295	Software maintenance	125775	6.95
72300	Data processing	232281	12.84
72400	Database activities and distribution of electronic content	102466	5.66
72501	Repair & maintenance of computers and computer based systems	112863	6.24

72502	Repair of office, computing and accounting machinery (including repair of Xerox machine and duplicating machine) other than computers and computer based systems.	13882	0.77
72901	Activities of cyber cafe	40795	2.26
72909	Other computer related activities, N.E.C.	100284	5.54
Total	Computer and Related Activities	1809077	100.00

Source: NSS 2009-10

Within the computer and related activities sector, there are only four sub-sectors whose contributions are more than 10 percent. They are

1. 'Development, production, supply and documentation of made-to-order software based on orders from specific users' contributes about 15 percent of the total employment within the computer and related activities during 2009-10.
2. 'Analysis, design and programming of custom software<sup>2</sup>, ready to use, including analysis of the user's needs and problems, consultancy on the best solution and production of software to realize this solution' accounts for 13.27 percent of total employment within the sector.
3. 'Production, supply and documentation of ready-made (non-customized) software' accounts for about 13.23 percent of the total employment within the sector.
4. 'Data processing. [This includes the processing or tabulation of all types of data. Provision of such services on (i) an hourly or time -share basis, and (ii) management or operation of data processing facilities of others on a time sharing basis; on a fee or contract basis]' accounts for about 12.9 percent

<sup>2</sup>**Custom software** (also known as **bespoke software**) is software that is specially developed for some specific organization or other user. As such, it can be contrasted with the use of software packages developed for the mass market, such as commercial off-the-shelf (COTS) software, or existing free software. This also may quite expensive. Since custom software is developed for a single customer it can accommodate that customer's particular preferences and expectations. Custom software may be designed in stage by stage processes, allowing all nuances and possible hidden dangers to be taken into account, including issues which were not mentioned in the specifications. Especially the first phase in the software development process may involve many departments, including marketing, engineering, research & development and general management.

**Regional variation in India****Table 22: Employment in Computer and its related activities across states and UTs of India, 2009-10**

	<b>Total Employment</b>	<b>Share within state</b>	<b>Share within India</b>
Jammu & Kashmir	2610.05	0.06	0.14
Himachal Pradesh	327.12	0.01	0.02
Punjab	10773.12	0.10	0.60
Chandigarh	12151.93	2.62	0.67
Uttarakhand	9584.38	0.24	0.53
Haryana	26005.43	0.27	1.44
Delhi	176453.22	2.99	9.75
Rajasthan	6059.76	0.02	0.33
Uttar Pradesh	71353.18	0.11	3.94
Bihar	3607.97	0.01	0.20
Sikkim	1070.88	0.41	0.06
Arunachal Pd	39.27	0.01	0.00
Nagaland	0	0	0
Manipur	237.87	0.03	0.01
Mizoram	0	0	0
Tripura	4273.60	0.32	0.24
Meghalaya	0	0	0

Assam	3541.76	0.03	0.20
West Bengal	71846.85	0.21	3.97
Jharkhand	362.46	0.00	0.02
Orissa	6948.85	0.04	0.38
Chattisgarh	8849.71	0.09	0.49
Madhya Pradesh	31165.33	0.11	1.72
Gujarat	56825.35	0.23	3.14
Daman & Diu	0	0	0
Dadra & N Haveli	468.08	0.44	0.03
Maharashtra	477318.36	0.97	26.38
Andhra Pradesh	161272.32	0.40	8.91
Karnataka	345563.73	1.29	19.10
Goa	0	0	0
Lakshadweep	22.21	0.07	0.00
Kerala	103758.62	0.80	5.74
Tamil Nadu	238394.76	0.80	13.18
Pondicherry	7904.61	1.45	0.44
Andaman & Nic Is	48.96	0.03	0.00
<b>India</b>	<b>1809076.49</b>	<b>0.39</b>	<b>100</b>

Source: NSS 2009-10

Share of total Indian exports (merchandise + services) increased from less than 4% in 1998 to about 25% in 2012. (approx. USD 69 billion). So, about 68.5% of revenues came



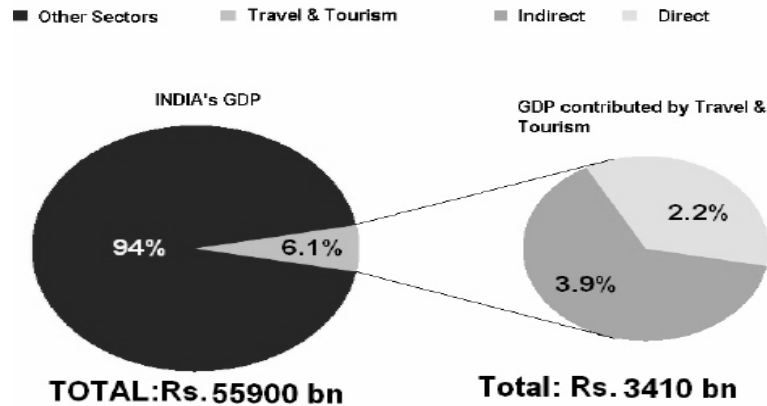
from outside and rest 31.5% from Indian market. Export revenues is accounted for by about 2.2 million workforce (total 2.8 million). (NASSCOM, 2011). Despite the rise of several alternative sourcing locations like Latin America, Philippines, South Africa etc., India retains its number one position as the world's leading sourcing location for IT-BPO services with a share of 58 percent in 2011. (India IT-BPO Performance 2011:43) It is estimated that India-based resources account for about 60-70 percent of the offshore delivery capacities available across the leading multinational IT-BPO players.

Within aggregate IT-BPO revenue, exports account for about for about 69 percent share. Overall industry export is estimated to grow at over 16 percent to cross \$ 69 billion. IT services exports account for the largest share of about 58 percent. BPO exports contribute 23 percent followed by engineering research and design (ER & D) and software products that together account for about 19 percent. Hardware exports contribute about 0.6 percent of total exports. The financial year 2012 marked a return to basics, largely because of the economic situation in America and Europe and the political situation in rest of the world.

The domestic IT-BPO segment (including hardware) accounts for a little over 31 percent of overall industry revenues. This is slightly below previous year revenues. (NASSCOM, 2011) This is slightly below previous year's level and is mainly because of the depreciation of the rupee against the dollar. This depreciation has also impacted the growth rate in USD terms. The domestic sector is expected to grow a little over 9 percent (20.5 percent in 2011) to reach \$32 billion. Share of hardware is about 40 percent. IT services 38 percent, software products 12 percent and BPO about 10 percent. (NASSCOM, 2011).

The computer software industry has witnessed a growth of 28 percent CAGR in the past five years (2002-07). The highest rise in FDI is witnessed in 2006-07, when the total FDI was to the tune of i.e. US 2.6 billion. After that it went on decreasing. The total contribution of Information Technology and ITES is estimated to grow by 7 percent by the year 2007-08 as against 4.8 percent in the year 2005-06 to the Gross Domestic Product of India. The computer hardware industry has occupied about USD 1.4 billion in the entire electronics hardware industry as has been accounted in the Financial Year 2005. In the year 2009-10, about \$ 780 million came to India as FDI in computer and its different activities. Computer industries accounted for over 10% of India's total FDI in the last decade (over \$8 billion). Over \$8 billion is invested by private equity and venture capital players in over 700 deals. More than 80 percent of the FDI are coming from only five countries.

**B. Tourism Industry – a Sunrise sector for Emerging India**



**Chart 6: Share of Travel and Tourism in GDP in India, 2010 in percentage terms**

India should capitalize on the strengths in different types of tourism products available to the country. Being a country with tremendous diversity, India has a lot to offer in terms of tourism and related activities. The diversity that India is famous for ensures that there is something to do for all tourists in India, no matter what their interests are features of some of the tourism product.

**Adventure tourism:**

This involves exploration of remote areas and exotic locales and engaging in various activities. For adventure tourism in India, tourists prefer to go for trekking to places like Ladakh, Sikkim, and Himalaya. Himachal Pradesh and Jammu and Kashmir are popular for the skiing facilities they offer. Whitewater rafting is also catching on in India and tourists flock to places such as Utranchal, Assam, and Arunachal Pradesh for this adrenalin-packed activity.

**Wildlife tourism:**

India has a rich forest cover which has some beautiful and exotic species of wildlife some of which that are even endangered and very rare. This has boosted wildlife tourism in India. The places where a foreign tourist can go for wildlife tourism in India are the Sariska Wildlife Sanctuary, Keoladeo Ghana National Park, and Corbett National Park.

**Medical tourism:**

Tourists from all over the world have been thronging India to avail themselves of cost-effective but superior quality healthcare in terms of surgical procedures and general medical attention. There are several medical institutes in the country that cater to foreign

patients and impart top-quality healthcare at a fraction of what it would have cost in developed nations such as USA and UK. It is expected that medical tourism in India will hold a value around US\$ 2 billion by 2012. The city of Chennai attracts around 45% of medical tourists from foreign countries.

**Pilgrimage tourism:**

India is famous for its temples and that is the reason that among the different kinds of tourism in India, pilgrimage tourism is increasing most rapidly. The various places for tourists to visit in India for pilgrimage are Vaishno Devi, Golden temple, Char Dham, and Mathura Vrindavan.

**Eco tourism:**

Among the types of tourism in India, ecotourism have grown recently. Ecotourism entails the sustainable preservation of a naturally endowed area or region. This is becoming more and more significant for the ecological development of all regions that have tourist value. For ecotourism in India, tourists can go to places such as Kaziranga National Park, Gir National Park, and Kanha National Park.

**Cultural tourism:**

India is known for its rich cultural heritage and an element of mysticism, which is why tourists come to India to experience it for themselves. The various fairs and festivals that tourists can visit in India are the Pushkar fair, Taj Mahotsav, and Suraj Kund mela. Cultural Attractions includes Holi, Dipawali, Pongal, Kumbh Mela, Many Famous Temples, Indian Music and Dance etc.

**Heritage Tourism India:**

The glorious past of India has ensured that the present and subsequent generations have plenty of historical and cultural heritage to be proud of. The fascinating monuments and heritage sites in the country stand quietly today to retell their story of joy, sorrow, courage and sacrifice before you. Each of the story is so enchanting and singular that you will be left asking for more at the end of each narration. The famous world heritage sites includes Red Fort, Qutub Minar, Purana Quila, Agra fort, Hawa Mahal, Ajanta & Ellora Caves, Taj Mahal, Konark Sun Temple, Monuments of Mamallapuram, Fatehpur Sikri, Kaziranga National Park, Manas National Park, Monuments of Hampi, Khajuraho Temples, Nanda Devi National Park, Velly of Flowers, Bhimbetka Caves, Badami Caves, Sundarbans National Park, Darjeeling Toy Train.

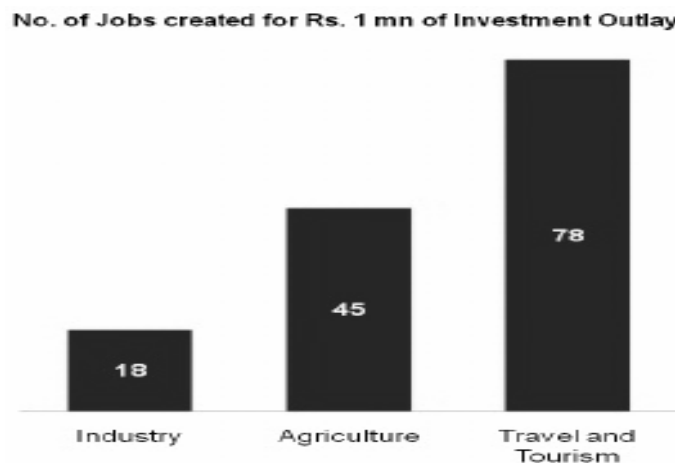
**Beaches:**

A partial list of beaches in India includes Anjuna Beach in Goa, Kovalam beach in Kerala, Marina beach, Chennai, Juhu beach at Mumbai, Baga beach at Goa, Dona Paula beach, Goa, Kanyakumari at Tamilnadu, Puri in Orissa etc.

The types of tourism in India have grown and this has boosted the Indian economy. That it continues to grow efforts must be taken by the Indian government, so that the tourism sector can contribute more substantially to the nation's GDP.

***All inclusive Employment Generation***

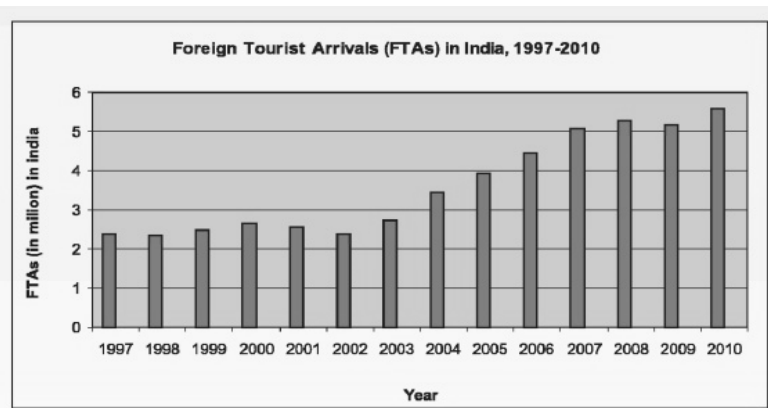
An investment of Rs. 1 Mn in tourism creates the highest number of jobs in tourism (78) as compared to the same investment in other sectors like agriculture (45) and industry (18). Additionally, the employment opportunities generated by tourism sector are all inclusive: from the unskilled to the specially skilled, educated to less educated, experienced to novices etc. For a country like India that faces a challenge of 6.5% unemployment (2003-08 average) with a labour force growing at a rate of 2.5% annually, the tourism industry's employment generation capacity along with its all-inclusiveness gains more importance and needs to be given due consideration. Having understood the potential of generating employment for all type of population, govt. of India is in fact considering that work generated under the domains of 'conservation and preservation of ancient monuments' and 'earth excavation at protected heritage sites' be covered under NREGA too.

**Chart7: Jobs per million Outlay in Tourism Industry*****Foreign Exchange Earnings***

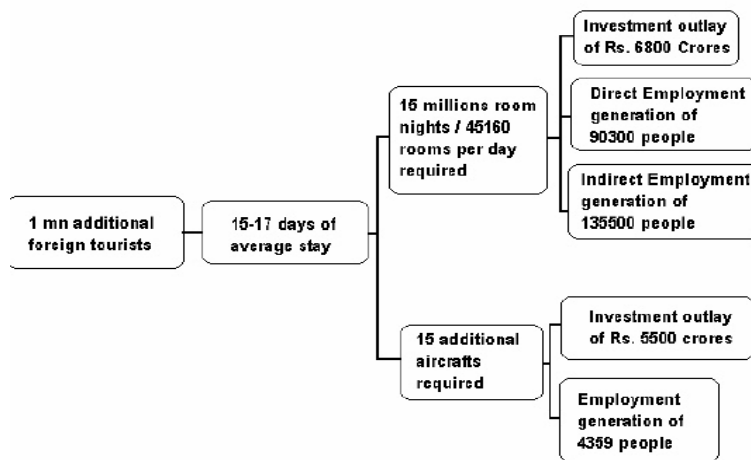
The travel and tourism industry's net contribution to foreign exchange in 2010 was USD 14.19 billion, which registered a growth of 24.56% compared to 2009 figures of USD 11.39 billion. At an overall level, foreign exchange contribution in the form of exports

accounts for 21% of Indian GDP. In Jan-Oct'2011, the foreign exchange earning has reached USD 13.31bn, as compared to USD 11.19 bn in the previous year period, registering a growth of 19 percent. In rupee terms, the Jan-Oct'11 figure was Rs. 60,780cr, as compared to Rs. 51,334cr in the previous year, implying a growth of 18.4 percent. Thus, the Travel and Tourism industry has a high propensity to earn foreign exchange as compared to the average of Indian exports as a whole.

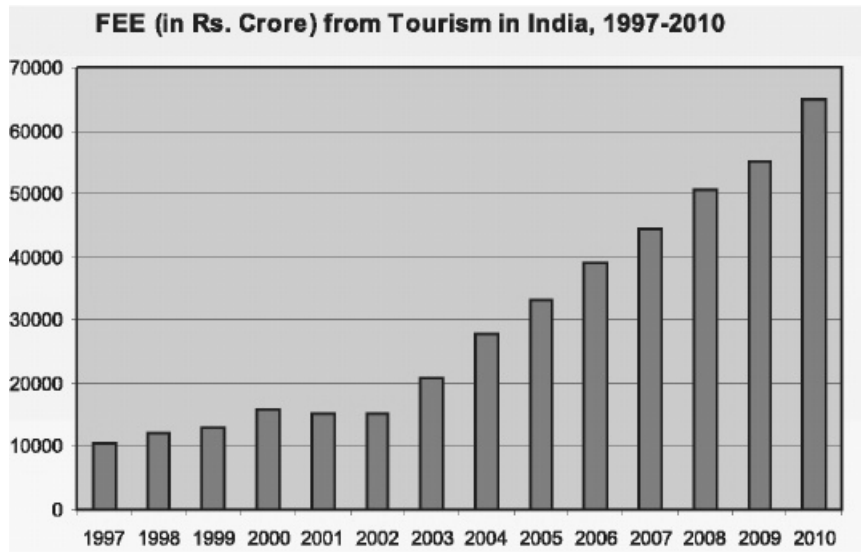
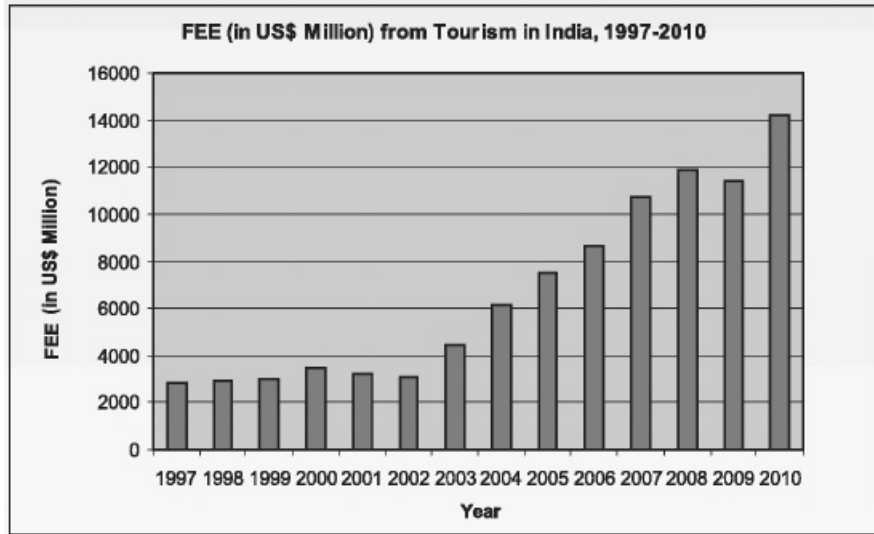
Going forward, by 2012 as per WTTC's projections, Foreign-exchange earnings from travel and tourism are expected to cross USD 16 Bn. Collectively, these facts signify that Travel and Tourism sector needs to be looked at with more seriousness.



Fact also stands that the industry has high employment generation capability too. An additional influx of 1 million tourists suggests employment generation capability of 230,000 people that is almost 1 person for every 4.4 tourists



Share of the sub sectors within services sector's employment and GVA and non-agricultural employment and GVA.



Share of the sectors within services sector's employment and GVA and non-agricultural employment and GVA.

Sub-sectors	Shares (within services)				share in non-agricultural economy			
	1999-00		2009-10		1999-00		2009-10	
	Employment	GVA	Employment	GVA	Employment	GVA	Employment	GVA
1. Trade	38.82	25.36	37.30	26.08	22.94	16.27	19.32	17.50
2. Hotels & restaurants	5.06	2.45	5.33	2.53	2.99	1.57	2.76	1.70
3. Transport, storage & communication	15.61	14.52	17.21	17.74	9.23	9.32	8.92	11.90
4. Banking (& insurance)	2.53	12.68	3.28	13.75	1.50	8.14	1.70	9.22
5. Real estate, renting and business activities	2.95	15.34	5.33	16.23	1.75	9.84	2.76	10.89
6. public administration & defence	10.97	13.91	8.20	10.53	6.48	8.92	4.25	7.07
7. Education	8.86	7.77	9.84	6.75	5.24	4.99	5.10	4.53
8. Health	2.95	3.07	2.87	2.53	1.75	1.97	1.49	1.70
9. Other community, social & personal services	10.55	4.29	7.38	3.54	6.23	2.76	3.82	2.38
10. Other services	2.11	0.41	3.28	0.33	1.25	0.26	1.70	0.22
Total services	100.00	100.00	100.00	100.00	59.10	64.17	51.80	67.11

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## WAYS TO STRENGTHEN THE MONETARY SYSTEM IN UZBEKISTAN

Ismailov Alisher Agzamovich<sup>1</sup>

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### ABSTRACT

*Enhancement of the monetary system is a prerequisite for ensuring sustainable development of the national economy. Curbing inflation, providing economy with cash funds, achieving the security of payments between entities are directly related to the strengthening of the national monetary system.*

*In this thesis, the research proposals aimed at strengthening the monetary system of Uzbekistan have been worked out. Furthermore, it has been explored and summarized the experience of foreign countries in the field of strengthening the monetary system.*

*Keywords: Currency, currency reserves, currency intervention, devaluation, money supply, the monetary system, inflation, cash funds, currency exchange rate, a plastic card, the discount rate, export.*

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### Introduction

Strengthening the monetary system in many countries is one of the most topical issues of the stability of the national economy. As President of the Republic of Uzbekistan Islam Karimov said: "While processes are happening with high speed in today's geographical areas, it is difficult to identify the scale of growing competitiveness among parties, the uncertainty of the world market, the ongoing global financial and economic crisis and its consequences, the falling investment activity as well as the declining of economic growth in most countries. Certainly, such conditions may affect the economy of our country and require us a sober assessment of the situation and maximum involvement of all available reserves and opportunities» ('Text of President Islam Karimov's Speech at the Joint Session of the Legislative Chamber and Senate of Uzbekistan's Oliy Majlis', )

One of the actual issues of strengthening the monetary system of Uzbekistan is to ensure the stability of the nominal exchange rate of the national currency.

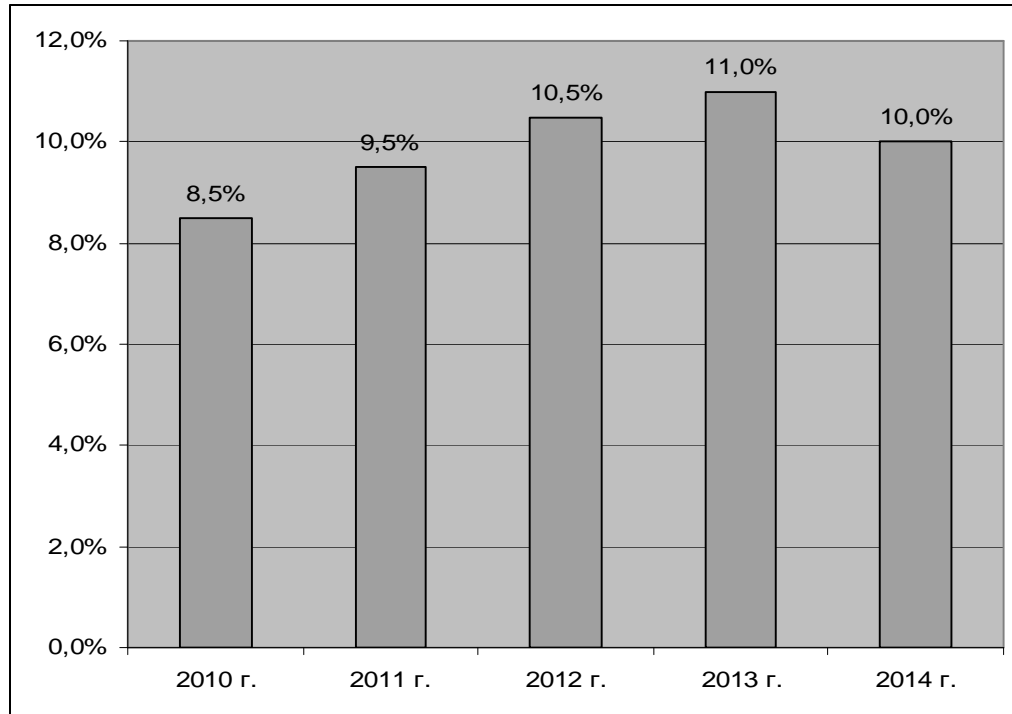
National currency of Uzbekistan, the sum, was put into circulation from 1 July 1994 year. Currently in money circulation there are bills with nominal values of 1, 3, 5, 10, 25, 50, 100, 500, 1000, 5000 sums. The nominal exchange rate of the national currency of the

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<sup>1</sup> Aspirant Tashkent Financial Institute, Uzbekistan Email: [alisher\\_bankir\\_595@mail.ru](mailto:alisher_bankir_595@mail.ru)

Republic is formed on the Republican Stock Exchange on the basis of supply and demand to the US dollar. The US dollar is the base currency for Uzbekistan.

In contrast to developed countries, Uzbekistan applies a system Bid trading in foreign currencies. It should be noted that currently there is a relatively high level of devaluation.



**Graph.1. The annual rate of devaluation of the national currency - the sum against the US dollar (2)**

As it can be seen from Graph 1, the annual rate of devaluation of the national currency is relatively high. High inflation adversely affects the efficiency of lending to investment projects and may increase the cost of imports (Abdakarimov B.A, 2013; Beatty & Ritter, 1986; De Nicoló, Honohan, & Ize, 2003). Experience shows that China's relatively low and stable exchange rate of national currency helps to stimulate exports (Table 1)

Indexes	Years					Changes in 2014 compared to 2010
	2010	2011	2012	2013	2014	
The nominal exchange rate of RMB against the US dollar 1, CNY	6,6227	6,3009	6,2855	6,0969	6,1190	92,4%
The volume of exports, bln. USD	1587,3	1899,2	2048,9	2210,2	2345,0	147,7 %

As seen from the data in Table 1, the Government and the Central Bank of China, in order to stimulate exports, supports low and stable nominal exchange rate of the yuan. In years 2010-2014, the yuan against the US dollar remained stable. Moreover, in 2014 the yuan devaluated in comparison with 2010 by 7.6 percentage points (Fry, 1988; Singh, 2012).

These results show that the growth rate of China's exports in 2014 compared to that of 2010 was 47.7%. Such a high growth rate of exports is largely due to the result of the exchange rate policy of the National Bank of China.

In our view, to reduce the level of devaluation of the national currency, it is necessary, first, to increase the amount of swap operations of the Central Bank of Uzbekistan carried out by the US Federal Reserve, European Central Bank and the Central Bank of Japan; secondly, to actively use the operations of the Central Bank Gold Swap. Since Uzbekistan is one of 10 countries that are world leaders in the production and sale of gold (Akimov & Dollery, 2009; Beatty & Ritter, 1986; Djanibekov & others, 2008)

In our opinion, it is necessary to abandon the intense currency intervention. As the experience of intensive Russian currency intervention would lead to depletion of foreign reserves (Table 2).

Indexes	Years					The change in 2014 compared to 2010.
	2010	2011	2012	2013	2014	
Official foreign exchange reserves, in	479,4	498,6	537,6	509,6	385,5	80,4 %

billions. SDR						
Currency intervention, in millions. USD	720,3	1773,1	0,0	3569,9	11901,8	16,5 times

As it can be seen from the data in Table 2, during 2010-2013 the volume of Russia's international reserves had an uptrend, which is a positive factor in terms of strengthening of the monetary system. However, in 2014, Russia's international reserves significantly decreased in comparison with 2013 year. This decrease in the volume of foreign exchange reserves is the result of increasing the volume of foreign exchange interventions of the Central Bank. In 2014, the amount of foreign exchange intervention by selling US dollars, compared to 2010 increased by 16.5 times (Ghatak, 2003; Gorton & Winton, 1998; Jeffries, 2013).

The economic sanctions imposed against Russia on the part of Western countries have led to a decrease in foreign exchange inflows to Russia. As a result, the Central Bank of Russia in order to prevent a collapse of the national currency has been forced to increase the volume of sales of the US dollar.

In our opinion, one of the main areas to strengthen the monetary system of Uzbekistan is to further develop the practice of settlements with plastic cards

**Table 3. Payments with plastic cards in Uzbekistan (5)**

Indexes	Years					The change in 2014 compared to 2010.
	2010	2011	2012	2013	2014	
The number of plastic cards issued in circulation, mln. Pieces	7,9	8,3	9,3	11,1	13,4	169,6%
The amount of transactions carried out with plastic cards trillion. sum	5,7	10,2	12,7	16,3	22,8	4,0 times

As it can be seen from the data in Table 3, during 2010-2014, in Uzbekistan there was a high rate of growth in the number of plastic cards and the amount of transactions carried out with these cards. This shows that the Government and the Central Bank pays great attention to the development of the practice of settlements with plastic cards. In particular, commercial banks of Uzbekistan for the period till January 1, 2020 are exempt from customs duties on import of software, automated teller machines and other equipment used for the

calculations by means of plastic cards (Berger & Humphrey, 1991; De Nicoló et al., 2003; Djanibekov & others, 2008; Singh, 2012).

In our view, in order to further increase the volume of payments made by plastic cards, it is necessary to introduce and develop the procedure for current account overdraft loans owners of plastic cards. In order to reduce the credit risk of commercial banks it is necessary, first, to request the borrowers to hold credit balance in their current accounts on the last business day of the month; second, to establish differentiated credit limits depending on the salary of the borrower (Ames, Brown, Devarajan, Izquierdo, & others, 2001; Ghatak, 2003; Jeffries, 2013).

Currently, in Uzbekistan, all plastic cards issued into circulation are debit cards. Therefore, the owners of plastic cards have current accounts in commercial banks (Fry, 1988; Ghatak, 2003; Oh, 2005).

In our view, in order to strengthen the monetary system of Uzbekistan, it would be advisable to improve the practice of using instruments regulating the money supply (Ajwad et al., 2014).

Since 2005 the state budget Uzbekistan is performed with surplus. Therefore, the Government of Uzbekistan does not issue securities. As a result, the Central Bank does not have the ability to conduct open market operations since securities of the Government is the sole object of the open market operations of the Central Bank.

Some academic economists believe that we should not pay much attention to short-term fluctuations in the money supply, but instead we should analyze long-term changes (Jeffries, 2013; Pomfret, 2000).

However, in our opinion, short-term fluctuations in the money supply is also important. Because significant short-term fluctuations in the money supply can lead to the fact that the Central Bank will not be able to provide a predetermined setting of the annual growth rate of the money supply (Singh, 2012).

Here important value is the quantitative measure of the money supply. In our view, the need for a quantitative measure of the money supply is determined by the following factors:

- In the macroeconomic analysis of the monetary analysis is essential. But the money supply is a key monetary indicator;
- Money supply is subject to the monetary economy. Therefore, there is a need to ensure the optimal level of the money supply;

- The low level of cash funds availability will slow down the pace of macroeconomic growth. Besides, the appearance of additional money in circulation strengthens inflationary processes;
- The Central Bank, ensuring stable growth of money supply positively effects on the development of the national economy.

In the economic literature there are two approaches for quantitative measurement of money supply:

1. Transactional approach.
2. Liquidity approach.

The transactional approach recognizes the relatively high liquidity of transaction deposits compared to demand and savings deposits.

Importantly, the transaction deposits have a relatively high level of liquidity. However, they create demand for foreign currency and are not a source of resources for active operations of commercial banks. Therefore, in many countries, with respect to transactional deposits, relatively high rates of mandatory reserves are applied (Ruziev & Ghosh, 2009; Vakhobov & Bobakulov, 2009).

## Conclusion

The increase in swap transactions and the Central Bank Gold Swap, implementation and development of overdraft crediting current account holders of plastic cards, improving the practice of using instruments regulating the money supply helps to strengthen the monetary system of Uzbekistan. At the same time, ensuring the stability of the rate of monetary growth remains the key issue of strengthening the monetary system.

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## INVESTMENT AND MARKET STRUCTURE DEPLOYMENT IN THE IMPLEMENTATION OF ENTERPRISE VALUE ADVANCEMENT : CASE OF UZBEKISTAN

Dr. Eshov Mansur<sup>1</sup>

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### ABSTRACT

*Currently, the market relations are actively and comprehensively developing and implementing in harmonious way around the world. The main tasks of accelerating the development of small business and entrepreneurship while ensuring explicit coordination of activity of government economic and others social structures in creating a favorable business environment are considered as a vital. On this basis, introduction of the great amount of population the market, maintaining suitable conditions for effective market development and infrastructure in rural areas, the development of competitive condition the creation of new jobs in rural areas for employment of people released in connection with the reconstruction of agriculture are categorized as a significant feature of economic assessment. Private sector is recognized as the driving force and the engine for economic growth in many countries. It delivers important goods and services, provides jobs, generates revenue for public sector, and creates and maintains infrastructure. This paper investigates the value of the enterprises with the major analyses of the governmental economic status.*

**Keywords :** *Investment, Enterprise value, Uzbekistan economy, marketing projects*

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### Introduction

SMEs in particular create jobs and lead to more equitable distribution of incomes. In Uzbekistan the share of SMEs in GDP steadily increased from 30% in 2000 to 54% in 2012. The sector accounts for 75% of total employment in the country and it is forecasted that SMEs will add around half a million of new jobs in 2013 (Beatty & Ritter, 1986).

Private sector is recognized as the driving force and the engine for economic growth in many countries. It delivers important goods and services, provides jobs, generates revenue for public sector, and creates and maintains infrastructure. SMEs in particular create jobs and lead to more equitable distribution of incomes. In Uzbekistan the share of SMEs in GDP steadily increased from 30% in 2000 to 54% in 2012. The sector accounts for 75% of total employment in the country and it is forecasted that SMEs will add around half a million of new jobs in 2013 (Goskomstat, 2014, p. 2).

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<sup>1</sup> Tashkent state university of economics Uzbekistan [eshov.mansur@mail.ru](mailto:eshov.mansur@mail.ru)

Realizing the importance of the private sector to the country's development, the Government of Uzbekistan introduced simplified tax system for small businesses in 2005 with unified flat rate of 13.2%, which replaced several types of taxes levied on different parts of activities. Since then every year the Government has been reducing this rate and for 2013 it is set at 5% of gross revenue for manufacturing enterprises. The Government also simplified business registration procedures, reduced the number of inspections of businesses conducted by various state authorities, reduced costs of obtaining various permits by up to three times, allowing private firms and especially SMEs to save money and time for regulatory compliance (UNDP, 2011, p.2).

However, access to finance in Uzbekistan is not commensurate with the needs of a thriving and diversified economy. At the present time, the proportion of credit received by the private sector in Uzbekistan is well below that of middle and high-income economies and is commensurate to that observed in countries with less thriving economies. While credit grew substantially over the past decade, financing to the private sector is identified as one of the most significant obstacles to sustainable private sector growth in Uzbekistan.

Despite these improvements, SMEs' productivity and competitiveness potential have been affected by regulatory and institutional constraints. Access to adequate financial services is a key component for sustainable growth of the private sector, economic diversification and creation of more and better jobs. Adequate access to finance includes not only bank loans, but also a host of financing instruments that are geared to meet the diverse needs of enterprises and entrepreneurs with different characteristics and profiles. In addition, access to a broader range of efficient and reliable financial services, including electronic payment services, enables enterprises to manage the financial resources available to them more effectively (Abdukirimov B.A, 2013; Ajwad et al., 2014).

### **Value of enterprises on international investment**

#### **Uzbekistan offers most favorable conditions to absorb foreign investments from countries - leading companies and global organizations.**

Uzbekistan can attract foreign investments for the following reasons:

#### **1. POLITICAL STABILITY**

Uzbekistan - is, first of all, political stability, confidence in the future and consistent reforms in all spheres of a social and political life. This is the country where representatives of more than hundred ethnic groups and dozen religions live in peace and harmony.

## **2. FAST GROWING ECONOMY AND INFRASTRUCTURE**

Uzbekistan - is a leading industrial country in Central Asia where the volume of economy for the last six years has grown by 45 percent, industrial production – 1.6 times, agricultural production – 1.5 times, the foreign trade turnover – 1.7 times, gold and currency reserves – 3.7 times, growth rate of GDP for last four years is kept at a level of 7 percent, and inflation rate for the last six years has reduced from 26% to 2,9%(Ames, Brown, Devarajan, Izquierdo, & others, 2001; Vakhobov & Bobakulov, 2009).

This is the transport infrastructure, of 6.5 thousands km of railways, over 43.5 thd. km. of highways and developed air communication network which connects the most remote regions and uninhabited areas of the country to major centers, providing access to international transport systems and basic natural mineral and raw materials resources in the country. The Uzbekistan Airways company performs regular direct flights to more than 40 cities all over the world and has 43 representative offices in 24 countries (Djanibekov & others, 2008).

This is the country where is annually generated up to 48bln.kW/h of electric power and more than 10 mln. Gcal of thermal power that fully meet the economic and population demand of the country and moreover allow to export a part of the extractive energy resources (Akimov & Dollery, 2009; Djanibekov & others, 2008).

## **3. FAVORABLE TAX POLICY**

Uzbekistan - is a 9 percent rate of corporate income tax; tax incentives and privileges, given for the foreign investors, including tax exemption on property, income and the customs duties(Ames et al., 2001; De Melo, Denizer, & Gelb, 1996).

## **4. CONVENIENT GEOGRAPHIC LOCATION**

Uzbekistan is crossroads of Central Asia that creates favorable environment to develop regional cooperation and participate in regional and transnational projects of developing transport corridors. It is a free trade zone with the CIS countries.

## **5. RICH SOURCE OF MINERAL-RAW MATERIALS**

Uzbekistan - is one of the leading countries of the world on reserves of copper, silver, gold, lead, zinc, tungsten, natural gas and other minerals. This is a country, which in advance has ensured its energetic security.

## **6. WELL TRAINED LABOR FORCE**

Uzbekistan - is a highly skilled specialist, 100% literacy of the population during 4 generations, where every fourth has the high or secondary vocational education.

### **Growing local market**

Uzbekistan is the 6<sup>th</sup> largest producer of cotton worldwide (preceded by China, India, USA, Pakistan and Brazil) and the 3<sup>rd</sup> largest exporter. Uzbekistan participates extensively in world cotton industry. In 2010/11, Uzbekistan produced 1 million of tons of cotton. Economy of Uzbekistan is reliant on exports of commodities including but not limited to cotton, gold, uranium and natural gas. From this, we can conclude that Uzbekistan is a very promising market for investments in every sector and especially in textile.

### **Investment Projects Support**

- Loans provided by Foreign banks, International Finance Institutions;
- Co-financing (to charter capital) from Uzbek Banks;
- Facilities (buildings) provided at Zero sale cost or deferred payment schedule

The country experienced sustained economic expansion over the last decade, with real growth rate averaging 8.3 % annually in the 2005-2012 period. Growth is expected to continue at around 7-7.5 % over the medium term, supported by government spending and investment. Uzbekistan also has strong development potential. The country is rich in natural resources (gold, copper, natural gas, oil and uranium) and has a strong agricultural base. Its size and population (as the most populous Central Asia nation), its large work force and its position (the country shares a common border with all other former Central Asia republics) makes the country a natural regional leader in both political and economic terms.

Yet the country also suffers from some evident – and some less evident – disadvantages. Geographically, Uzbekistan lacks an access to the sea and is a 'doubly landlocked' (i.e. a country surrounded by landlocked countries) – a distinction it shares only with Liechtenstein. This handicap makes external trade both more difficult and more expensive. More generally, the country's strong potential is far from fully exploited (Lindgren, Garcia, & Saal, 1996).

Despite its GDP growth – even during the global economic recession – Uzbekistan still suffers from its incomplete transition to a fully market oriented system. The country is excessively reliant upon a handful of commodities (gold, oil and gas and cotton), which represent more than 60 % of its exports as well as a significant share of the country's GDP.

### **Regulations for business**

Uzbekistan has a highly regulated economy with a vast number of regulatory authorities.

#### ***Regulatory authorities***

The principal regulatory authorities are the Cabinet of Ministers (responsible for the overall regulation of the economy), the Ministry of Finance (responsible for fiscal and taxation policy), the Central Bank (responsible for regulation of banks and monetary policy),

the State Tax Committee (responsible for collection of taxes) , the State Customs Committee (responsible for collection of customs payments), the Ministry of Economy (responsible for development and implementation of long- term social and economic strategies of the state) and the Ministry of Foreign Economic Relations, Investment and Trade (responsible for foreign trade and attraction of foreign investment) (Vakhobov & Bobakulov, 2009).

Consumer protection Uzbek legislation provides for consumer protection (Law of the Republic of Uzbekistan “On Protection of Consumers’ Rights” of 26 April 1996). There is considered as LSO a Federation of societies on protection of consumers’ rights in Uzbekistan. Consumers may apply for protection of their rights to the above Federation or Committee on Competition either in paper, through the phone or special online resources. Such applications appear to have high-resolution rate. For example, as per information provided by Federation during the first six months of 2014 around 3,600 complaints (applications) were filed and 92.6 % from them were resolved positively Uzbek real estate market rapidly grew over the years through 2008. However, the global financial crisis has adversely impacted the real estate sector of Uzbekistan leading to a drop of demand for purchase of housing and office space (Berger, Hanweck, & Humphrey, 1987).

### **Foreign investment climate, Case of Uzbekistan**

Uzbekistan has adopted a policy of import substitution and export orientation. The multiple exchange rate system and the highly over-regulated trade regime has led to both import and export declines since 1996, although imports have declined more than exports, as the government squeezed imports to maintain hard currency reserves. High tariffs and border closures imposed in the summer and fall of 2002 led to massive decreases in imports of both consumer products and capital equipment. Uzbekistan's traditional trade partners are CIS states, notably Russia, Ukraine, Kazakhstan, and the other Central Asian countries.

Non-CIS partners have been increasing in importance in recent years, with Korea, China, Japan, Malaysia and Turkey being the most active. In 2013 and beginning of 2014 Uzbekistan greeted a number of high-level officials from, China, US, South Korea, Spain, France, Kazakhstan, Japan, Turkey, India, Turkmenistan, Latvia and other countries. During these visits the parties discussed potential cooperation and investment opportunities.

### ***Investment context***

The Laws on Foreign Investments and on Guarantees and Measures for the Protection of Rights of Foreign Investors adopted on 30 April 1998, the "Foreign Investment Laws", provide the legal framework for foreign investment in Uzbekistan. The laws define the types of entities in which foreigners can invest, the conditions governing repatriation of profits and earnings, and the general rights and guarantees of foreign investors. Foreigners can invest in a business venture in Uzbekistan in a number of ways, including by:

- Acquiring share in an existing company by participating in auctions or tenders organized under the privatization programme
- Acquiring share in an existing company by direct negotiation with the owners of the shares or by purchasing shares on the stock market
- Forming a joint venture company with an Uzbek enterprise or individual
- Establishing a new, wholly owned company, or any other form that does not contradict Uzbek legislation.

Effective 1 July 2002, the amended criteria for the status of an enterprise with foreign investment is used for enterprises with the participation of foreign capital newly established in the Republic of Karakalpakstan and Khorezm region (Akimov & Dollery, 2009; Pomfret, 2000).

The minimum charter capital to meet the criteria for such enterprises shall be USD 75,000, as opposed to the above standard minimum limit. This measure is intended to stimulate investment to these distant regions of Uzbekistan.

### **Investment protection**

Under the Foreign Investment Laws, investments cannot be nationalized or confiscated without the payment of compensation. The Foreign Investment Laws also provide for protection against adverse changes in the law for a 10-year period following registration. This 10-year guarantee had been widely challenged in the past by the tax authorities so that it would not apply to taxation changes, i.e. introduction of new taxes and/or increase of tax rates or taxable objects.

Such different interpretation of the 10-year guarantee resulted in amendment of the text in the Foreign Investment Laws, which changed the whole concept of the foreign investment protection. Thus, from 17 September 2005 the 10-year guarantee is to apply in the following cases:

- increase of income (withholding) tax rate on dividends payable to foreign investors
- introduction of additional requirements that (i) complicate the procedure for repatriation or (ii) decrease the amount of income (profit) repatriated by foreign investors, except for certain cases when such repatriation is banned due to financial insolvency of enterprises with foreign investments, protection of creditors' rights, criminal or administrative sanctions imposed on individual foreign investors or other reasons for halting such repatriation based on the court decision
- introduction of limitations on the size of investment, including the increase of the minimum size of charter capital for enterprises with foreign investments
- introduction of limitations on the share of foreign investors in charter capitals of Uzbek enterprises, and



- Introduction of additional procedures for visas of foreign investors, as well as other additional requirements on foreign investment.

If foreign investor decides to exercise the guarantee, it should file a written notification with the relevant state authority depending on the nature of the adverse legislation change under concern. Such notification serves as a basis for relevant state authority to apply the legislation that had been effective at the date of investment.

If the state authority disagrees with the notification, it may apply to the Ministry of Justice of the Republic of Uzbekistan for legal expertise on the validity of application of the guarantee by the foreign investor. The state authority may also apply to the court on invalid application of guarantee by the foreign investor.

### **Profit repatriation**

Under the Foreign Investment Laws, foreign investors are entitled to repatriate profits in convertible currency after the payment of applicable taxes and other fees. However, at the time of writing practical issues remain with respect to currency conversion if there is no own foreign currency available to pay dividends.

### ***Investment incentives***

There used to be a number of tax incentives available to investors and enterprises with foreign investment. Some of these incentives were set in the general tax legislation; some of them were granted on a case-by-case basis, mostly in respect of investments made to key industries. The Government through issuing enterprise specific decrees provided the case-by-case incentives.

Effective 1 June 2006, all “non-compliant” and permanent incentives with respect to payment of taxes, customs and other mandatory payments provided earlier by decisions of the Government to enterprises with foreign investments, were abolished. The enterprises, which happened to lose the tax incentives, had to apply to the Cabinet of Ministers, so that the latter re-considers granting the incentives (Djanibekov & others, 2008; Salami, Shahnooshi, & Thomson, 2009).

The Uzbek legislation still provides tax incentives to encourage manufacturers, importers and exporters of strategically important products.

On 10 April 2012, the President of Uzbekistan signed a decree "On additional measures to stimulate direct foreign investment". Based on the decree above, enterprises with foreign capital in which the foreign investor's contribution in cash is not less than USD 5 mln are covered by a ‘grandfathering clause’ protecting them from adverse changes in the tax legislation for the period of 10 years from the date of state registration with respect to corporate income tax, value-added tax (turnover on sale of goods, works and services), property tax, tax on the improvement and development of social infrastructure, unified social



tax, unified tax payment, as well as mandatory contributions to the Republican Road Fund and the Fund on Reconstruction, Capital Repair and Equipment of Educational Institutions and Medical Institutions.

### ***Investment relief***

The taxable profits may be reduced by the amounts of expenditure that qualify as "investments" less the total annual depreciation charge. The term "investments" for the purposes of the relief is defined broadly and includes any investments to develop entity's own production base, such as the purchase or construction of business premises, plant and machinery, or settlement of loans used for this purpose. The aggregate tax relief for "investment" expenditure is generally limited to 30% of taxable profits.

### ***Tax incentives for entities with foreign investment***

Additional tax concessions are available for production entities with a substantial foreign investment component. To qualify for the concession, an enterprise should meet the criteria of an enterprise with foreign investment as described in the section Investment context above.

Thus, foreign investors may import free of import duties goods for their own production and their personal needs and for personal needs of foreign citizens working in Uzbekistan in accordance with labour agreements established with foreign investors.

Newly established enterprises in the Republic of Karakalpakstan and Khorezm region that qualify as enterprises with foreign investment based on the adjusted criteria as described above are also eligible for the above exemption.

Effective 1 July 2005, the following tax incentives have been offered to direct foreign investors. The statutory definition of direct private foreign investments is investments made by foreign non-governmental legal entities, foreign citizens, persons without citizenship and citizens of Uzbekistan permanently resident abroad.

Enterprises attracting private foreign investments are exempt from corporate income tax, property tax, infrastructure development tax, unified tax payment (for micro-firms and small enterprises), as well as contributions to the Republican Road Fund. Exemption is applicable to main business activity only.

The above tax incentives are granted if the following, without limitation, conditions are met:

- The enterprises are located in any city or rural area settlement of Uzbekistan except Tashkent region and Tashkent city
- Republic of Uzbekistan does not provide sovereign guarantees for such foreign investment

- Share of foreign capital of enterprises should not be less than 33%
- Investment should be made in hard currency or new/modern technological equipment, and
- Not less than 50% of the respective tax savings should be reinvested for further development of enterprises.

Other developments in the foreign investment legislation of Uzbekistan are commented in relevant tax sections of this Guide.

### **Conclusion**

In August 2005, Decree of the Cabinet of Ministers introduced a new concept within the foreign investment legislation. Thus, if a foreign investor is granted additional guarantees and protective measures (incentives and preferences), other than, those already provided by the general legislation, an investment agreement must be concluded between the Government and this foreign investor. The Ministry of Foreign Economic Relations, Investments and Trade of the Republic of Uzbekistan (MFERIT) would represent the Government in such investment agreement.

Investment agreement should include, without limitation, the following provisions:

- period and terms of the agreement validity
- rights and obligations of the investor in respect of the amount of investment, level of production, guaranteed level of localisation of production and quality of produce, level of export of goods and services of own production, repayment of attracted loans guaranteed by the Government of the Republic of Uzbekistan, compliance with the ecology protection legislation, rational usage of natural resources, compliance with the labour legislation and safety measures, and other aspects of production activities
- Rights and obligations of the Government of the Republic of Uzbekistan including obligations of providing additional guarantees and security measures
- Schedules and dates for preparation of business plan, conclusion of sub-contracts, funding sources, time-line of project implementation, regulation on technical supervision over the project implementation
- Procedures and deadlines for submission of reports by the investor on execution of the obligations
- Responsibilities of parties for failures to comply with the terms of the investment agreement, and

- Procedures for introduction of amendments to the agreement or its termination, procedures and place of disputes resolution.

The draft investment agreement should be pre-agreed with MFERIT. Before filing the draft investment agreement, the foreign investor should obtain approvals of the agreement terms and conditions from the Ministry of Justice, Ministry of Finance, Ministry of Economy and the State Tax Committee. Once the investment agreement is finalized by MFERIT and the foreign investor, it is filed with the Cabinet of Ministers for the latter's approval.

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## A STUDY ON SATISFACTION MEASUREMENT OF PROFESSIONAL AND NON-PROFESSIONAL DEGREE LEVEL STUDENTS WITH RESPECT TO COSMETIC PRODUCTS IN JHANSI DISTRICT

Sandeep Agarwal<sup>1</sup>

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### ABSTRACT

*“Hey you are looking fresh” is a motivational statement among all the student generation worldwide. The fresh look may lead to use of cosmetics. Cosmetics have been used to protect human skin from environment as well as to express a student’s desire for look fresh over the past decades. Many students are willing to spend big amount of money for the sake of taking care the attractive appearance by buying trusted cosmetics. This research analyzes the satisfaction to Professional and Non-Professional Students Degree level students who live in Jhansi for cosmetics, which can be measured on the bases of product quality, brand name, price, advertisement, packaging, Academic Degree, counterpart, Society and Store Location etc. The result of this research is expected to be helpful for local cosmetics so they will improve and become the main preference for most students. The totals of 200 respondents were selected from students in Jhansi who are the users of cosmetics. The collected data are analyzed through factor analysis SPSS 16.*

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### INTRODUCTION

“Hey! You are looking good” is mantra as well as motivational statements for youngsters in India across all gender. It is a fact that everybody wants to look like the models with charming skin and a shaped body for a perfect life. Charming look has traditionally regarded as the main concern of women. However, the mindset of male consumers is also changing due to the increasing influence of media and western exposure. Men are now spending significant amount of their monthly budget on parlors and other cosmetic products even in small cities. The key factor for growth of cosmetic products in the rural region is easy availability of low priced high quality branded products in versatile packages due to improved supply chain networks. Cosmetic products add value to one’s look. By cosmetic products, we understand anything intended for personal care meant to emphasize one’s look. The cosmetic products are generally as herbal and chemical based. Cosmetic products classified as Skin Care products, Specialty Products, Color Cosmetics, Perfumes/Deodorants and Sun Care. Generally, Creams, Lotions and Toner come in the category of Skin care cosmetics. Eye care, Bleach, Hair remover products are specialty cosmetics. Hair colors,

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<sup>1</sup> Asst. Professor, Deptt. of Management, Bundelkhand University, Jhansi (U.P.)

Lipsticks, Nail color, Lip-gloss etc. come in color cosmetics. There are many Marketer players like Emami, HUL, Godrez, Beiersdorf AG “the German parent of Nivea”, L’oreal and Lakme for skin care and HUL “Axe”, Paras Pharmaceutical “Set Wet” McNore Chemical “Wild Stone” for Deodorant in India and are enjoying in their targeted segments with respective product lines.

### **OBJECTIVES OF THE STUDY**

1. To measure satisfaction of existing uses cosmetic by Professional and Non-Professional Students.
2. To study the price sensitivity among degree level students

### **SCOPE OF THE STUDY**

The present study will be helpful in understanding the students attitude of the in the Indian society especially in Jhansi city, towards Cosmetic Products. The classification of the students in Academic Degree wise, gender wise, age wise, income wise, etc. The study will also be helpful in analyzing the student’s attitude towards the different factors identified after the focus group discussions for the future studies by the researchers and academicians. It will also help in studying the effect of cosmetics purchase of the study specifically among the segment under consideration.

### **METHODOLOGY**

#### **1. Nature of research design**

The research design adopted in the study was descriptive design, which is concerned with the descriptive of a group. In descriptive research in such a way that the respondents is able to understand clearly what the researcher wants and provides distinct information to measure the data.

#### **2. Area of the study**

The area of the study is Jhansi city.

#### **3. Period of the study**

The study was conducted for a period of six months.

#### **4. Sources of data**

The study is based on primary data collection. The data has been collected from the users of cosmetics products. The secondary data was collected from the articles, journals, newspapers and various websites; it has been used in the review of literature, chapter and profile of the organizations.

## 5. Sampling design of the study

The sampling technique in this project is convenient sampling. The sample size comprises of different types of students who are using cosmetic products. A sample of 200 respondents was taken into account for finding their uses for the cosmetic products.

## 6. Hypothesis

7. **H<sub>10</sub>**: There is no significant difference in satisfaction between Professional and Non-Professional Students with respects to Ingredients, Brand, Packaging, Size, Quality, Availability, Skin Friendly, and Ease to use, Easy to carry, Product concept, Direction to use, weight, Compliant and Query handling, Price, Advertisement, Shape, Fragrance, Color, Product State and multi use.
8. **H<sub>11</sub>**: There is significant difference in satisfaction between Professional and Non-Professional Students with respects to Ingredients, Brand, Packaging, Size, Quality, Availability, Skin Friendly, and Ease to use, Easy to carry, Product concept, Direction to use, weight, Compliant and Query handling, Price, Advertisement, Shape, Fragrance, Color, Product State and multi use.

## 9. Tools for Analysis

The following are the tools applied on the respondents given by the respondents to analyze and derive the result.

- a. Factor analysis
- b. Average Ranking analysis

## LIMITATION OF THE STUDY

1. The area was wide since it is confined only to Jhansi city so results cannot be universally accepted.
2. The study is limited to the sample size of 200 respondents only. So this cannot be a “full proof”
3. The researcher has collected data by convenient sampling using questionnaire and there is a possibility of certain deviations.

## REVIEW OF LITERATURE

### 1. Over view of Bundelkhand Region:

Bundelkhand region consists of some parts of U.P. and some parts of M.P. There are 13 districts including both states. The climate of Bundelkhand region is semi-arid in characteristics. It is typically Monsonic with the year divisible into three seasons namely rainy (mid June to end October), winter (mid October to mid February) and summer (mid

February to mid June). The overall population according to census 2011 is around 15.5 million. The total population of UP Bundelkhand districts around 8.2 million and the population of MP Bundelkhand districts was around 7.3 million. According to Statistical Abstract U.P. 2010 in Bundelkhand region, there is one university 91-degree college in which 128951 regular students are listed. There are 84072 males and 44879 females students at degree level. The percentage of literate population to total population in Jhansi, Mahoba, Bnada and Chitrakoot are 65.5%, 53.3%, 54.4% and 65% respectively. In addition, As per Educational attainment of literates in Jhansi, Banda, Mahoba, and Chitrakoot about 8.4%, 5.8%, 4%, 3.8% of their populations are graduate/postgraduate.

## **2. Cosmetic market in India:**

Total cosmetic market in India is about Rs. 2000 cr. According to **Indian Cosmetic Sector Analysis (2009-2012)** the cosmetic sales in India expected to surge at a CAGR of around 18% during 2011-2014. This phenomenal growth in the sales of cosmetic in India is indication for particularly Indian girls are indeed obsessed with the color of their skin and many cosmetologists have begun to term this 'Snow White syndrome'. However, men are not far behind in buying of cosmetics. This grooming fad is not limited in the corporate field; it had spread to college goers and youngsters too.

## **3. Shift in trend of personal care market in India**

According to India Industry Research “**ISI Analytics” ISSUE 1H 2010**, The key trend in the personal care segment is moving away from health products towards beauty products; hence consumers are switching demand from basic products (such as soaps, shampoos, hair oils and etc.) to specialized products (such as skin whitening cream, anti-ageing products, sun block lotions and etc.). With rising disposable income from USD2, 720 in 2008 to an estimated USD3, 482 in 2012.

## **4. Awareness on myths Vs Reality concept of cosmetic**

As per “Potential Issues of Skin Fairness Creams TV advertisements in Pakistan” by Sohail Kamran in Electronic Journal of Business Ethics and Organization Studies Vol. 15, No. 1 (2010). The study results show that fairness creams sellers overstate the product benefits, which actually not delivered .He found that 89% respondent were saying, what claimed in the TV commercials of fairness creams is never true and products do not deliver. (... They lie that fairness creams make face white). Here in my study I will try to find out in spit of this misconception how many students are brand loyal.

## **5. Brand Loyalty**

Howard and Sheth's theory of buyer behavior (1969) were the first to introduce the notion of brand consideration into marketing. Brand loyalty defined as keeping preferable to a specific product or service (BNET Business Dictionary). Aaker and Keller, 1990 believe

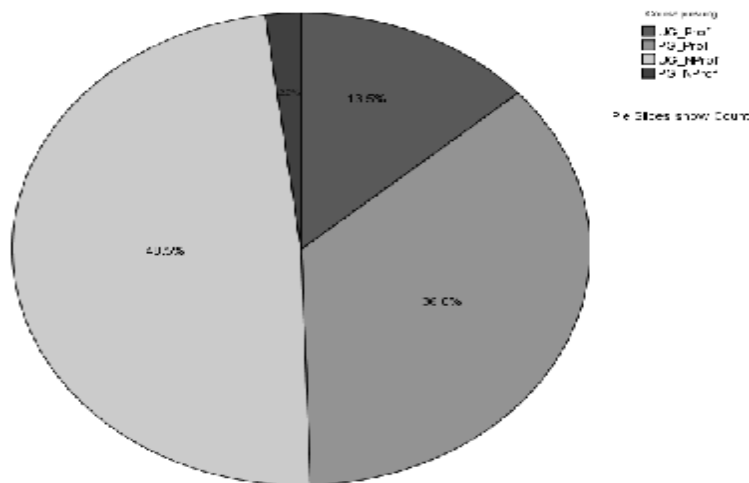
that loyalty is closely associated with various factors, one of the main ones being the experience of use. Customers may be loyal owing to high switching barriers related to technical, economical or psychological factors, which make it costly or difficult for the customer to change. In another point of view, customers may also be loyal because they are satisfied with the brand, and thus want to continue the relationship (Fornell, 1992).

**6. Factors of Brand Loyalty**

Research has indicated that brand attributes viewed as important elements in a consumer's decision-making. For example, Lau et al. (2006) in his article mentioned seven factors that influenced consumers' brand loyalty towards certain brands. The factors were brand name, product quality, price, Design, store environment, promotion and service quality.

**DATA ANALYSIS & INTERPRETATION**

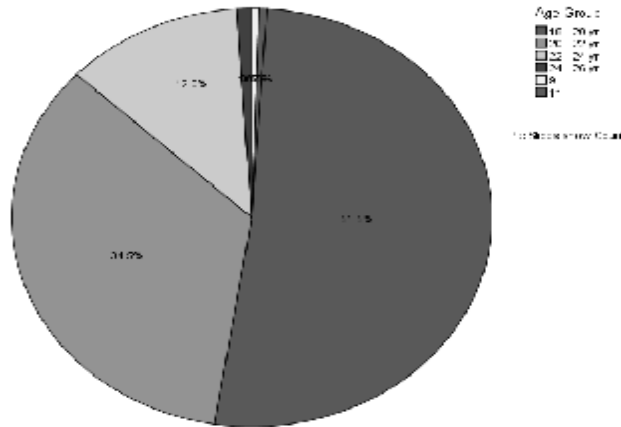
**1. COURSE PURSUING**



In the pie chart of course pursuing there are 49.5% professional students out of which 13.5% are UG professionals and 36 % are PG Professionals. Remaining 50.5% sample is composite of 48.55 UD Non Professional & 2% PG Non Professionals.

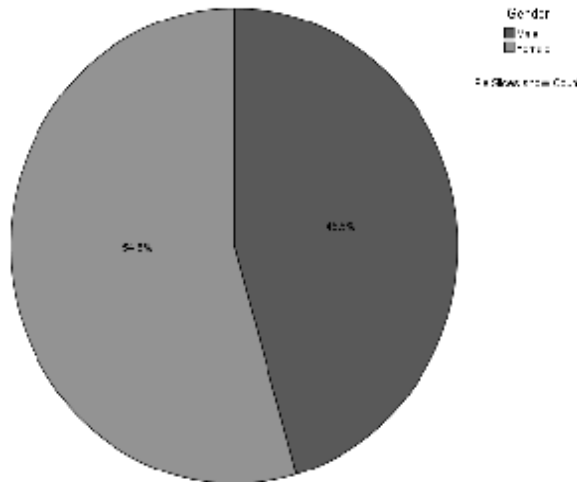


Pie Chart No A.1P



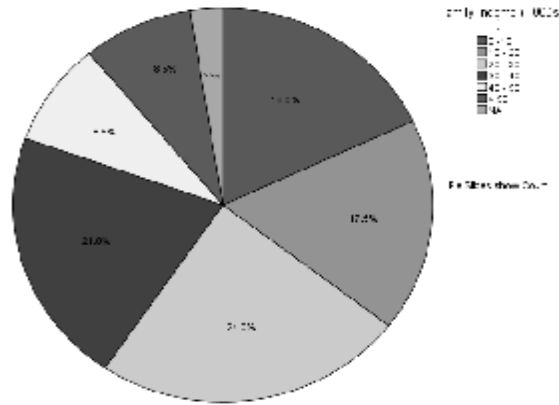
Pie Chart No A.2P

In the pie chart of age group there are 51.5 students belong to 18-20 year age group. 34.5 % students belong to 20-22 year age group. And remaining 145 students fall above 22 years age.



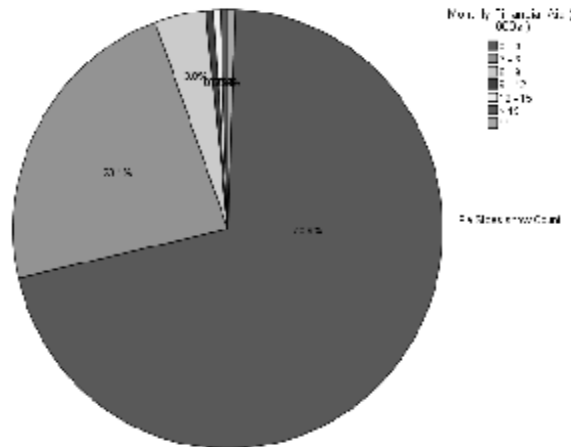
Pie Chart No A.3P

In the pie chart of gender there are 45.5 % are Males and 54.5 % are females.



Pie Chart No A.4P

The pie chart of family income shows that 24% of students belong to group having Income of Rs 20-30 thousand per month. 21% students are under Rs 30-40 thousand per month income. And 17.55 students are under Rs 10-20 thousand per month income.



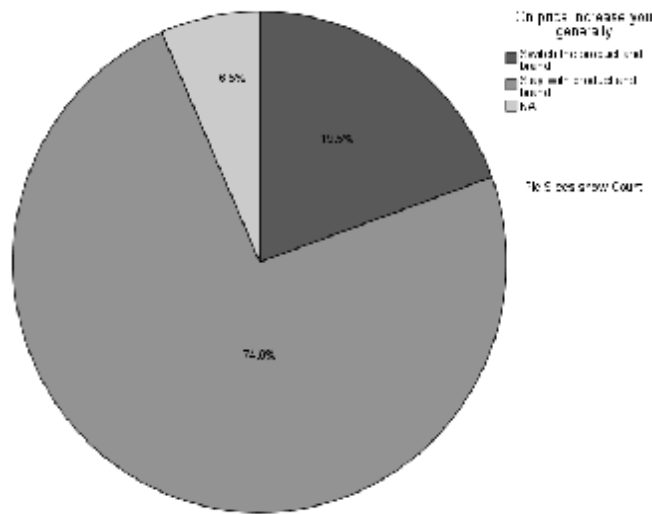
Pie Chart No A.5P

The pie chart of monthly financial aid shows that 64.5% students are getting up to Rs 3,000/- per month as financial aid and 21% students are getting Rs 3000- 6000/- per month as financial aid.

**Price sensitivity**

**On price increase you generally**

- A. Switch the product and brand
- B. Stay with product and brand

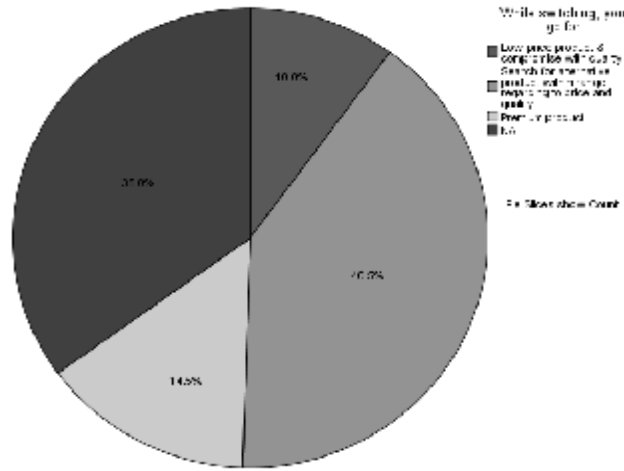


**B.9P**

The pie charts show that 74% students say that they will stay on original product and brand if price increase. 19.5% students willing to switch product and brand when price increases.

**While switching, you go for**

- A. Low price product & compromise with quality
- B. Search for alternative product within range regarding to price and quality
- C. Premium product

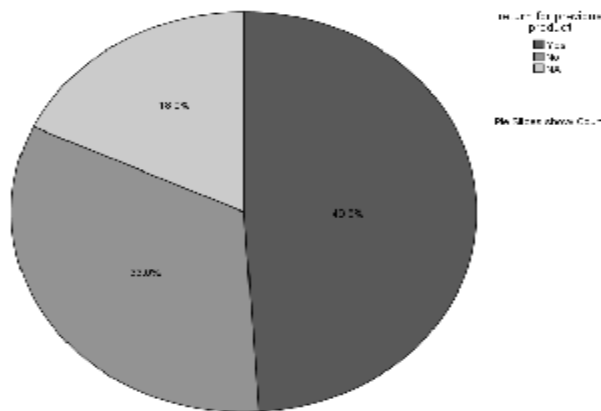


**B.10P**

The pie charts show that while switching happen 40.5% students say they will try to search alternative products and brand within previous price range. 14.5% students will go for premium products. Only 10% students move to low price product and compromise with quality.

**If in future price are cut down of previous product, will you return for previous product**

A.	Yes
B.	No



**B.11P**

The pie charts show that In future if price cut down of previous products, 49% students say they will move return to previous product. And 32% students willingly remain with updated product.

**SATISFACTION MEASURES FOR EXISTING USES COSMETICS**

In reliability testing, the value of Cranach’s Alpha is 0.936 i.e. higher than 0.8. It means all the factors concerns for satisfaction measures are reliable.

**Table NoVD.2 Reliability Statistics**

Cranach’s Alpha	N of Items
.936	20

**Table No D.3**

**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.929
Bartlett's Test of Sphericity	Approx. Chi-Square
	df
	Sig.
	1.950E3
	190
	.000

In factor analysis, the KMO test value is 0.929 which is higher than 0.5. So we will proceed for further process.

**Table no. D.4 Communalities**

	<b>Initial</b>	<b>Extraction</b>
Ingredients	1.000	.657
Brand	1.000	.698
Price	1.000	.605
Packaging	1.000	.603
Advertisement	1.000	.484
Size	1.000	.788
Shape	1.000	.710
Fragrance	1.000	.596
Quality	1.000	.795
Availability	1.000	.744
skin friendly	1.000	.783
easy to use	1.000	.813
easy to carry	1.000	.748
Color	1.000	.580
product status	1.000	.665
product concepts	1.000	.590
direction to use	1.000	.711
Weight	1.000	.492

complaint and query handling	1.000	.690
multi use	1.000	.383

Extraction Method: Principal Component Analysis

**Table No D.5 Total Variance Explained**

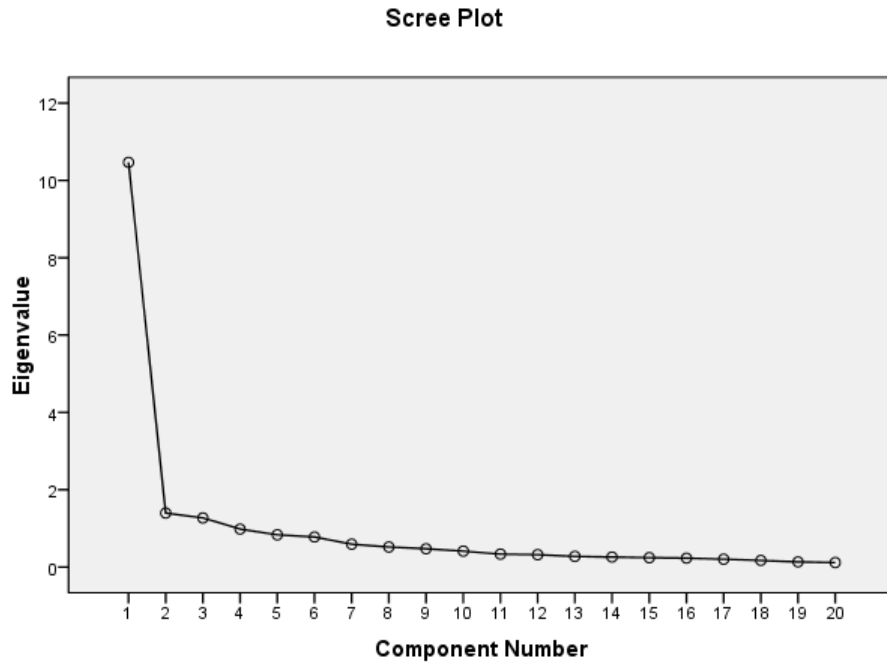
Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.467	52.335	52.335	10.467	52.335	52.335	6.217	31.086	31.086
2	1.397	6.983	59.318	1.397	6.983	59.318	3.838	19.191	50.277
3	1.270	6.349	65.666	1.270	6.349	65.666	3.078	15.390	65.666
4	.982	4.912	70.579						
5	.833	4.164	74.743						
6	.777	3.885	78.629						
7	.591	2.954	81.582						
8	.518	2.592	84.174						
9	.473	2.364	86.538						
10	.411	2.057	88.595						
11	.334	1.669	90.264						
12	.320	1.598	91.862						
13	.276	1.378	93.240						

14	.258	1.289	94.528						
15	.242	1.212	95.741						
16	.231	1.156	96.897						
17	.203	1.014	97.910						
18	.170	.849	98.760						
19	.133	.664	99.424						
20	.115	.576	100.000						

### **Extraction Method: Principal Component Analysis**

Labeled Total Variance Explained lists the Eigen values associated with each factor before extraction, after extraction and after rotation. Before extraction, it has identified 20 linear components within the data set. The Eigen values associated with each factor represent the variance explained by that particular linear component and the table also displays the Eigen value in terms of the percentage of variance explained (factor 1 explains 52.335% of total variance). It should be clear that the first few factors explain relatively large amounts of variance (especially factor 1) whereas subsequent factors explain only small amount of variance. The table extracts all factors with Eigen values greater than 1, which leaves us with three factors, where 65.666 of cumulative variance are displayed. In the final part of the table, the Eigen values of the factors after rotation are displayed. Rotation has the effect of optimizing the factor structure and one consequence for these data is that the relative importance of the three factors is equalize. Before rotation, factor 1 accounted for considerably more variance than the remaining two (52.336% compared to 6.983% and 6.349%), however after extraction it accounts for only 31.086% of variance (compared to 19.191% and 15.390%).





The scree plot is shown the point of inflexion on the curve. This curve is difficult to interpret because the curve begins to tail off after two factors, but there is another drop after three factors before a stable plateau is reached. Therefore, it is justified to retain three factors.

**Table No D.6 Component Matrix**

fragrance	.735
quality	.835
availability	.705
skin friendly	.828
easy to use	.838
easy to carry	.805

color	.758
product status	.806
product concepts	.764
direction to use	.807
weight	.626
complaint and query handling multi use	.637

Extraction Method: Principal Component Analysis.

Labeled shows the component matrix before rotation. This matrix contains the loading of each variable onto each factor. As calculated that all loading less than 0.6 be suppressed in the output and so there are blank spaces for many of the loading

**Table No D.7**  
**Rotated Component Matrix**

	Component		
	1	2	3
ingredients		.645	
brand			
price			
packaging			
advertisement			
size			.870

shape			.812
fragrance	.610		
quality	.802		
availability	.853		
skin friendly	.800		
easy to use	.839		
easy to carry	.795		
color	.601		
product status			
product concepts			
direction to use		.618	
weight			
complaint and query handling		.786	
multi use		.617	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

Labeled *Rotated Component Matrix* contains the same information as the component matrix is calculated after rotation. Factor loadings less than 0.6 have not been displayed because researcher has asked these loading to be suppressed.

*Component 1:* The rotated matrix has revealed that respondents have perceived these factors to be the most important factors with the highest explained variance of 52.33% Seven out of twenty variables load on significantly to product attribute, which includes fragrance, quality, availability, skin friendly, easy to use, easy to carry.

*Component 2:* The rotated matrix has revealed that respondents have perceived these factors to be the most important factors with the highest explained variance of 6.98%. Four out of twenty variables load on significantly to user guidelines, which include ingredients, direction to use, complaint and query handling, multi use.

*Component3:* The rotated matrix has revealed that respondents have perceived these factors to be the most important factors with the highest explained variance of 6.34%. Two out of twenty variables load on significantly to product physique, which includes size and shape.

**Table No D.8**  
Hypothesis testing

**ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
ingredients	Between Groups	60.416	3	20.139	3.085	.029
	Within Groups	1168.513	179	6.528		
	Total	1228.929	182			
brand	Between Groups	108.280	3	36.093	5.199	.002
	Within Groups	1284.271	185	6.942		
	Total	1392.550	188			
price	Between Groups	31.375	3	10.458	1.654	.178
	Within Groups	1175.804	186	6.322		
	Total	1207.179	189			
packaging	Between Groups	65.509	3	21.836	4.216	.007

	Within Groups	942.555	182	5.179		
	Total	1008.065	185			
advertisement	Between Groups	17.413	3	5.804	.915	.435
	Within Groups	1116.498	176	6.344		
	Total	1133.911	179			
size	Between Groups	43.975	3	14.658	2.827	.040
	Within Groups	938.490	181	5.185		
	Total	982.465	184			
shape	Between Groups	16.349	3	5.450	1.189	.316
	Within Groups	811.452	177	4.584		
	Total	827.801	180			
fragrance	Between Groups	44.969	3	14.990	2.429	.067
	Within Groups	1110.857	180	6.171		
	Total	1155.826	183			
quality	Between Groups	107.347	3	35.782	4.527	.004
	Within Groups	1430.793	181	7.905		
	Total	1538.141	184			
availability	Between Groups	142.767	3	47.589	6.123	.001
	Within Groups	1461.227	188	7.772		
	Total	1603.995	191			
skin friendly	Between Groups	81.377	3	27.126	3.235	.023
	Within Groups	1551.174	185	8.385		
	Total	1632.550	188			

easy to use	Between Groups	73.510	3	24.503	3.120	.027
	Within Groups	1397.852	178	7.853		
	Total	1471.363	181			
easy to carry	Between Groups	87.912	3	29.304	3.963	.009
	Within Groups	1323.738	179	7.395		
	Total	1411.650	182			
color	Between Groups	44.770	3	14.923	2.190	.091
	Within Groups	1226.834	180	6.816		
	Total	1271.603	183			
product state	Between Groups	77.306	3	25.769	4.272	.006
	Within Groups	1061.606	176	6.032		
	Total	1138.911	179			
product concepts	Between Groups	130.046	3	43.349	7.858	.000
	Within Groups	1020.525	185	5.516		
	Total	1150.571	188			
direction to use	Between Groups	67.027	3	22.342	3.435	.018
	Within Groups	1190.246	183	6.504		
	Total	1257.273	186			
weight	Between Groups	53.819	3	17.940	2.692	.048

	Within Groups	1232.847	185	6.664		
	Total	1286.667	188			
complaint and query handling	Between Groups	98.489	3	32.830	4.226	.006
	Within Groups	1421.522	183	7.768		
	Total	1520.011	186			
multi use	Between Groups	2.510	3	.837	.033	.992
	Within Groups	4701.150	184	25.550		
	Total	4703.660	187			

In testing of hypothesis of Compare of Means we find that Professional and Non-Professional Students are significant difference with respects to Ingredients, Brand, Packaging, Size, Quality, Availability, Skin Friendly, Ease to use, Easy to carry, Product concept, Direction to use, weight, Compliant and Query handling as Their significant values is less then to  $P=0.05$ .and remaining others like Price, Advertisement, Shape, Fragrance, Color, Product State and multi use, Professional and Non-Professional students are not significant difference as they having greater significance value to  $P=0.05$ .

### Findings

- There is less price sensitivity having been seen among students as most of students like to stay on initial product and Brand when price got change. Some students will switch to other cosmetics as price changes.
- The students who wish to move from initial product as a result of price change, looks for alternate products and Brands within previous price range. Some of them like go for premium products. There is less numbers of students who like to move on low price product and agree to compromise quality.
- If in future price are cut down the students who switched on price increase, most of them wish to come back to initial product. But few of them like to stay with updated product. In study of factors effecting to buying of cosmetics the response among students “product marketing strategies factor” that includes brand, price, packaging,

promotion, product concepts, product warranties and offers, quality are key variable in the study. “product attribute” and “social environment” factor includes quality, skin friendly, age, sex, and academic degree, society, culture, life style respectively.

- In the satisfaction measurement of existing cosmetics “product attribute” factor that includes fragrance, qualities, availability, skin friendly, easy to use, easy to carry key variable from the studied variable. Apart from “user guideline” factor which includes ingredients, direction to use complaint and query handling, multi use variables and “product physiques” which include shape and size of product also notified among students.
- Professional and Non-Professional Students are differently satisfied with respects to Ingredients, Brand, Packaging, Size, Quality, Availability, Skin Friendly, Ease to use, Easy to carry, Product concept, Direction to use, weight, Compliant and Query handling.
- Professional and Non-Professional Students are equally satisfied with respects to Price, Advertisement, Shape, Fragrance, Color, Product State and multi use.

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