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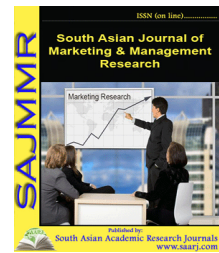
VISION

The vision of the journals is to provide an academic platform to scholars all over the world to publish their novel, original, empirical and high quality research work. It propose to encourage research relating to latest trends and practices in international business, finance, banking, service marketing, human resource management, corporate governance, social responsibility and emerging paradigms in allied areas of management including social sciences , education and information & technology. It intends to reach the researcher's with plethora of knowledge to generate a pool of research content and propose problem solving models to address the current and emerging issues at the national and international level. Further, it aims to share and disseminate the empirical research findings with academia, industry, policy makers, and consultants with an approach to incorporate the research recommendations for the benefit of one and all.



South Asian Journal of Marketing & Management Research (SAJMMR)

(Double Blind Refereed & Reviewed International Journal)



SR. NO.	PARTICULAR	PAGE NO	DOI NUMBER
1.	PROCESSES AND OUTCOMES IN THREE-DIMENSIONAL MATCH AND MISMATCH CIRCUMSTANCES IN RESPECT OF LEADERSHIP STYLES, FOLLOWERSHIP STYLES AND SITUATIONAL DEMANDS IN BUSINESS ORGANISATIONS IN PAPUA NEW GUINEA. Pulapa Subba Rao	6-27	10.5958/2249-877X.2020.00014.4
2.	EMOTIONAL INTELLIGENCE AND ITS INFLUENCE ON EXECUTIVE PERFORMANCE D. Rasulova	28-32	10.5958/2249-877X.2020.00022.3
3.	PSYCHO-DIAGNOSTIC COMPETENCE: AS A PREDICATOR OF SUCCESSFUL PEDAGOGICAL EXPERIENCE Shodiyeva Raykhon Saydullayevna	33-38	10.5958/2249-877X.2020.00016.8
4.	STRATEGY FOR INNOVATIVE DEVELOPMENT OF MODERN TOURISM INDUSTRY Boyturaev Olimjon	39-43	10.5958/2249-877X.2020.00027.2
5.	A STUDY ON COMPARISON OF MUTUAL FUNDS WITH REFERENCE TO ANAND RATHI SHARES & STOCK BROKING LTD. ANANTAPURAMU DISTRICT Dr. S.Subbarayudu, P.Naveena	44-59	10.5958/2249-877X.2020.00017.X
6.	THE IMPORTANCE OF A FAVORABLE INVESTMENT CLIMATE FOR THE CONSISTENT IMPLEMENTATION OF STRUCTURAL CHANGES IN THE REGIONAL ECONOMY Abdurahmanov, Madaminjonov O.R	60-69	10.5958/2249-877X.2020.00026.0

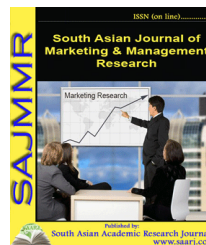
7.	FUNCTIONING AND DEVELOPMENT OF THE DOMESTIC MARKET OF OIL AND FAT PRODUCTS OF UZBEKISTAN Farrux Mamatkulov, Ismatov Sunnatillo, Abdurakhimov Saidakbar, Rakhmonov Kakhramon	70-73	10.5958/2249-877X.2020.00021.1
8.	ANALYSIS AND EVALUATION OF SOURCES OF INVESTMENT IN AUTOMOTIVE TRANSPORT ENTERPRISES Mukhitdinova Kamola Alisherovna	74-78	10.5958/2249-877X.2020.00024.7
9.	THE ROLE OF GOVERNMENT SOVEREIGN BONDS IN THE DEVELOPMENT OF THE NATIONAL ECONOMY Elmirzayev Samariddin, Kholikov Khamidulla	79-86	10.5958/2249-877X.2020.00023.5
10.	THE STUDY OF DETERMINANTS AFFECTING THE WORTH OF HOUSING IN PAKISTAN Dr. Sabahat Subhan, Dr. Eatzaz Ahmad	87-105	10.5958/2249-877X.2020.00015.6
11.	POSSIBILITIES OF INNOVATIONS IN TOURISM OF THE REGION D.Khuday Berganov, N. Fayzullaev, S.Matkulieva, K.Atabaeva, A.Rakhimbaev	106-110	10.5958/2249-877X.2020.00019.3
12.	THE IMPORTANCE OF MARKETING STRATEGIES IN THE PROVISION OF PHYSICAL EDUCATION AND SPORTS SERVICES Jalolova Dildora Jamalovna, Xudaybyerdiyeva Dilafruz Abidovna, Abbosov Bahodir Asatillayevich, Mavlyanov Farrux Akramjanovich	111-119	10.5958/2249-877X.2020.00025.9
13.	CHANGES IN MARKET RELATIONS IN THE PERIOD OF MARKET ECONOMY AND THEIR CLASSIFICATION Rustamov DostonbekJamshido'g'li, Odilov RakhmonjonZokirjono'g'li, Rizaeva Farangiz Kholdorovna	120-129	10.5958/2249-877X.2020.00020.X

14.	A CASE STUDY TO INVESTIGATE THE FUNCTION OF KNOWLEDGE MANAGEMENT, INTELLECTUAL CAPITAL ON COMPETITIVE ADVANTAGE ACQUISITION IN AN IRANIAN COMPANY Dr. Mansoureh Aligho Li, Dr. Ghasem'ali Bazaei, Saeedaskari Masouleh, Nimasaeedi	130-145	10.5958/2249-877X.2020.00013.2
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PROCESSES AND OUTCOMES IN THREE-DIMENSIONAL MATCH AND MISMATCH CIRCUMSTANCES IN RESPECT OF LEADERSHIP STYLES, FOLLOWERSHIP STYLES AND SITUATIONAL DEMANDS IN BUSINESS ORGANISATIONS IN PAPUA NEW GUINEA.

Pulapa Subba Rao*

*Professor of Business Administration and Convener,
Executive MBA Program,
School of Business Administration
University of Papua New Guinea,
Port Moresby Papua New Guinea, WEST AFRICA
Email id: pulapasubbarao@yahoo.com

ABSTRACT

This paper analyses leadership styles, followership styles and situational demands in selected state owned enterprises (SOEs) and private enterprises (PEs) in Papua New Guinea with the help of responses of selected superiors (leaders) and subordinates (followers) respondents. It also deals with the match and mismatches circumstances of leadership-followership styles and situational demands and the outcomes in both match and mismatch circumstances. It offers suggestions for establishing match among leadership and followership styles and situational demands in order to maximise the use of human potentialities and maintain congeniality in the organizations.

KEYWORDS: *Leadership Styles; Followership Styles, Situational Demands, Privates Sector Organisations; State Owned Enterprises; Autocratic Style; Participative Style; Democratic Style; Yes-Boss Style; No-Boss Style; Clarification Style; Critical Style*

INTRODUCTION

The concept of leadership has undergone a sea change from the concept of 'born-leader' to 'situation-leader' and to effective leader. Views, assumptions and theories of leadership have changed significantly in recent years. Business and industry have set managers more as leaders to achieve the challenges. The quality of leadership provided by the managers determines the degree of success of business. Some people are born leaders and need little training or development. But many managers do not born with qualitative leadership skills. Such managers

need training and development to acquire and develop leadership skills. However, born leaders can be more efficient with training.

WHAT IS LEADERSHIP?

Leadership is an influence process. It involves the exercise of influence on the part of the leader over the perception, motivation, communication, and personality and ultimately over the behaviour of other people (preferably followers). Leadership is, therefore, the study of leader's influence over the thoughts, feelings, opinions, beliefs, attitudes and actions of followers.

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Leadership Styles

Leadership is practiced by its styles, which may have positive or negative perspectives. The styles used by the military officers and traditional managers are mostly negative whereas those of the modern managers and high technology organizations are positive. Leadership styles based on modern theories include charismatic style, transactional style and transformational styles. Yet, highly dedicated and committed leaders influence people through relationship management and followers' development.

Styles based on Traditional Theories:

Different styles of leadership are derived from various leadership theories. These theories are popularly known as traditional theories. They are: free rein, autocratic, participative and democratic.

Free-rein of Laissez-faire Style

These leaders avoid authority and responsibility. They mostly depend upon the group to establish objectives and goals, formulate policies and programs. The group members train and motivate themselves. Contrary to autocratic style, the leaders play minor or negligible roles and depend upon the group.

Autocratic Style

Autocratic leaders centralize authority of decision making in them. Followers have no say either in the decision making process or in implementation. They have to completely obey and follow the instructions of the leaders. The leaders take full authority and responsibility. Autocratic leaders are classified into strict autocratic, benevolent autocratic and incompetent autocratic. Strict autocratic leader influences the subordinates through completely negative methods. Benevolent autocratic leader gives awards and benefits to the followers for following his/ her decisions. Incompetent autocratic leader adapts autocratic style with a view to hide his in competency.

Democratic Style

Democratic leaders decentralize authority and responsibility and encourage subordinates to express their opinions and views in the decisions making process as well as in implementation of decisions. However, the leader takes ultimate decisions. Thus decisions are arrived at by consultation.

Participative Style

Participative leaders decentralize authority and encourage subordinates to participate and involve in decision-making and implementation process. The leader and followers make decisions jointly and in collaboration.

Situational Leadership Style

It is however; conclude that there is no single and clear-cut leadership style, which is applicable universally and in all circumstances. Therefore, the leaders have to adapt appropriate style depending upon the situational requirements. In other words, leaders adapt autocratic style in case of routine issues, democratic style, in case of critical inputs and participative style in case of strategic issues.

FOLLOWERSHIP STYLES

There is a misconception that an effective leader is enough to mould and direct employees' behaviour towards the attainment of organizational goals. But attainment of organizational goals more or less equally depends on the committed and effective followers. In fact no leader can be effective without effective followers. Here the term effective follower is used in the sense that the follower should be potential and in a position to willingly contribute his/her potentialities in the direction indicated by the leader.

The followership styles are not given due recognition except mentioning them at the maturity level of followers (Paul Hersey and Kenneth Blanchard, 1977:170). Various authors have failed to recognize the significance of the follower in the leader-follower interactions. In fact, the follower is as important as the leader in any situation.

We come across different types of followership styles in real life situations. They can broadly be divided into six categories, viz., yes-boss, no-boss, clarification, and Critical.

A brief clarification of the Followership styles is as follows:

- (1) **Yes-Boss Style:** The follower in this style blindly says yes to leader for his instructions irrespective of the nature and magnitude of the instructions and he carries out the orders without critically evaluating them. Excessive humility in this style may be referred to as subservient style of the followership.
- (2) **No-Boss Style:** The follower in this style is a non-obliging type. He says 'No' to the leader for his instructions/orders irrespective of the nature and magnitude of the instructions.
- (3) **Clarification Style:** The follower in this style will not say either yes or no, but clarifies the reasons for not accepting the instructions of the leader or suggests modifications to the leaders orders.

- (4) **Critical Style:** Followers in this style do not respond either positively or negatively to the orders of their leaders. They critically appraise the instructions/orders of the leaders, consider the pros and cons of the decisions of the leader and then if the order is wise, they carry it out. If the order is unwise, they appraise the pros and cons of it to the leader and advise him to modify his order. If the leader does not positively respond to the advice of the followers, then they carry out the order of the leader. If the leader does not positively respond to the advice of the followers, then they carry out the order of the leader. If the leader changes his order, they carry out the modified orders.

All of us belong to the categories of both the follower and the leader, but we may be leaders in some situations and followers in other situations. Similarly, each follower would not limit his style to any of the above-mentioned followership styles and may go on changing his styles depending upon the situations.

Most of the writers have identified three leadership styles, viz., Exploitative Autocratic, Benevolent Autocratic, Participative or Democratic. The problem arises when there is lack of coordination between the leader's style and the follower's style. The leader-follower interaction would be effective when there is harmony between the styles of the leader and the followers, otherwise the interaction would not be effective and it may lead even to leader-follower conflict.

How to Match the Followership Style with the Leadership Style?

Matching of these two style is most essential in management as its basic objective or getting things done by others can be effectively attained only when there is perfect match between these two styles. Conflict between these two adversely affects the management effectiveness. Hence, the leader should make he/she fit for a match. The possible matches between leadership and followership styles are shown in Exhibit-1.

Exhibit-1: Match Between Leadership Style and Followership Style

Leadership Style		Followership Style
Autocratic Leadership	→	Yes-Boss Followership Style No-Boss Style Followership Style
Democratic Leadership Style	→	Clarification Followership Style
Participative Leadership Style	→	Critical Followership Style
Situational Leadership Style	→	Situational Followership Style

Zero Level Conflict

As shown in the above figure, the level of conflict would be more or less 'Zero' when the leader with exploitative autocratic style interacts with the follower with the 'Yes-boss' style. Similarly, the conflict would be close to zero level when the leader with participative style interacts with the follower with critical style. Benevolent autocratic leader by offering monetary and non-monetary benefits and by conferring new designations on his followers with the styles of 'No-boss', 'Clarification' can minimize the level of conflict but he cannot bring down the conflict to 'Zero' level. Thus, the Zero level conflict matchings are: (i) Exploitative autocratic style of the leader and Yes-boss of the followers; and (ii) Participative/democratic style of the leader and critical style of the follower.

Effective Match

Though it may be said that the match between participative style of the leader and critical style of the follower is effective and desirable, there is no such effective match in practice as these two styles are subjected to situational requirement.

Match of Situation-Leadership Style-Followership Style

The mere coincidence of leadership and followership styles will not produce effective results. What is more essential is the coincidence of these two styles, which should meet the situational requirements to maximize the human resources contribution towards the organizational effectiveness. The emergency situations can be handled effectively if the leader is in exploitative autocratic style and the follower is in Yes-Boss style. Other styles of the leader and the follower may not suit to this situation and hence, they may be ineffective match in situations of exigency. Exhibit-2 presents match among situational demands, leadership styles and followership styles.

Exhibit-2: Match among situational demands, leadership styles and followership styles.

Situational Demands	Leadership Styles	Followership Styles
Routine Situations Unimportant Petty Issues	Autocratic Leader	'Yes-Boss'
Strategy Implementation involving idea generation, information sharing, experiences exchanging, identifying possible positive and negative consequences, taking corrective measures.	Democratic Leader	Clarification Style
Strategy Formulation –involving policy issues, environmental analysis, developing alternative measures, SWOT analysis, selecting the best strategy.	Participative Leader	Critical Style 'No-Boss' with reasoning

The leader has to insist the followers to accept his decisions in some situations like adoption of latest technology, which normally is resisted, by the followers. In such situations, the leader in 'the Benevolent Autocratic' style can impress upon the follower to accept the decision of adoption of technology by offering benefits.

It is clear from the analysis that leader-follower and situations interaction should be taken into accounting to attain the organizational goals rather than mere leadership styles. One may agree to this but he faces the problem of integration of these three variables. There may not be specific and ready-made answer to this question but the problem can be minimized when the follower and leader adapt to their style based on the situational requirements.

Need for the Study

Private Enterprises (PEs) in the post-globalisation era invest in technology as well as in people development. The effectiveness of people management depends up on the match between

leadership styles and followership styles on one hand and match among leadership styles, followership styles and situational demands. The match between followership and leadership styles with those of the situational requirements produce positive results including higher value addition and contribute to the efficient implementation of organisational strategies and vice-versa. In fact, State-Owned Enterprises (SOEs) are no exception to the competition under the market economic system. As such, they should also develop leadership styles based on situational demands and followership styles. This observation underscores the significance of this study.

Review of the existing literature on the theme of the study indicated that there are a few studies in other countries (Yukl, G.A.,1989, Warren g.Bennis, 1989, Abraham Zaleznik,1986, Kotter J.P.,1990,Michael Useem, 2001). The studies in PNG are rare to find. However, there are a few studies on organizational environment and human resource management in PNG (Kavanamur, 2001, Kavanamur, Okole, Manning and Levantis, 2004, Hess, 2001, Imbun, 2001, Imbun and Richard Morres, Mc Gavin 2001 Jones and Imbun 2001 and Michae, 2001). Therefore, the present study is expected to contribute to fill in the literature gap at least to some extent.

Objectives:

Objectives of the study are:

- To identify the leadership styles and followership styles in SOEs and PEs.
- To find the match and mismatch situations of leadership and followership styles with situational demands.
- To analyse the outcome of match and mismatch situations, and
- To offer suggestions for efficient management of followership styles based on situational demands and by introducing modifications in leadership styles.

Assumptions

The theoretical concepts of leadership styles and followership styles discussed above are assumed as definitions in this study. The match situations among leadership, followership and situational demands as presented in Exhibit-2 are assumed as desirable situations.

Methodology and Sampling

The data were collected mostly from primary sources. Comprehensive questionnaires were developed and interviews were conducted with the help of the structured questionnaires. Primary data were collected regarding the leadership styles of the superiors and followership styles of the subordinates. Secondary data were also collected from the annual reports of the respondent companies.

A sample of 150 managerial level employees (leaders) and 150 non-managerial employees (followers) were selected from SOEs in Papua New Guinea. Similarly, a sample of 150 managerial level employees (leaders) and 150 non-managerial employees (followers) were selected from PEs in Papua New Guinea. Structured questionnaires were distributed to the respondents during May-June 2011. However, 94 respondents from managerial cadre and 98 from non-managerial cadre of SOEs and 112 respondents from managerial cadre and 126 from non-managerial cadre respondents of PEs returned the completed questionnaires during July-August 2011.

Data Analysis

Leadership style plays significant role in shaping superior-subordinate relationship as well as in directing the subordinates' efforts towards organisational strategies and activities more appropriately. The appropriate leadership style channels the subordinates' resources towards organisational goals and the inappropriate styles kill the subordinates initiatives and enthusiasm in achieving organisational goals.

In fact, it is viewed that the leaders in State Owned Enterprises (SOEs) mostly assume autocratic leadership rather than participative and democratic leadership styles as the organisational structure of the SOEs is based on rules, procedural formalities. However, the effectiveness of the leadership styles depends up on the appropriateness of the followership styles of the subordinates. It is also felt that the followers in SOEs assume 'Yes-Boss' style rather than adapting other styles.

Against this background, an attempt is made to study the leadership styles of managerial employees and followership styles of subordinate employees in SOEs in different situations with help of the responses of managerial employees towards assuming different styles of leadership. Table-1 presents the responses of leaders with regard to their styles of leadership in SOEs while Table-2 presents the responses of followers with regard to their followership styles.

It is observed from table-1 that 46 out of 94 (or 43.24%) leaders assumed the autocratic style of leader in providing clear directions to subordinates. In other words, these leaders provided strict directions without any scope for deviations to their subordinates. Correspondingly, 44 out of 98 (or 43.12%) of the follower respondents adept 'yes-boss' style. This coincidence of leadership and followership styles minimises the leadership-followership mismatch conflict. However, it is observed that 28-follower respondents adapted 'no-boss' style, which is detrimental to organisational functioning. 23 out of 94 (or 21.62%) of the leader respondents were considerate to the opinions and advice of the followers in providing clear directions. 12 out of 98 followers adapted the corresponding 'clarification style' of followership. 21 out of 94 (or 19.74%) respondents were providing directions to the subordinates by completely taking the followers view points into consideration. Only 2 out of 98 follower respondents followed 'critical follower' style. 6 out of 94 leaders were situational in their direction whilst, 12 out of 98 followers followed 'situational-followership style.

Thus, majority of the leaders and followers adapt corresponding styles of autocratic leadership and 'yes-boss' followership style reflecting the true character of the public sector organizations. Other leader and follower respondents could not adapt the corresponding matching styles, which would result in mismatch situations between the superiors and subordinates.

It is common that the superiors provide structure of work to subordinates. It is observed that majority of the superiors provided strict structure of work to the subordinates that would not allow the subordinates to deviate or use their knowledge or skill. Similarly, it is observed from table-2 that majority of followers (42 out of 98) simply followed the work structure provided by the superiors. However, 27 out of 98 follower respondents rejected the work structure provided by the bosses, which might have resulted in a conflict. 21 out of 94 subordinates allowed deviations in the work structure based on the subordinates knowledge and skills. Only 14 subordinates used the opportunity of sharing their ideas with regard to work structure. Only 4

followers were critical of the work structure whilst 22 out of 94 subordinates followed democratic approach i.e., deciding the work structure by the leader along with the followers. 8 leaders followed situational leadership styles and 11 subordinates followed situational followership style in work structure. Thus it is clear that the followers were more adept to the nature of public sector organisations compared to that of the leaders, which would be detrimental to the effective functioning of the SOEs.

It is interesting to observe that as many as 54 out of 94 (50.76%) of the leader respondents made the decisions on their own and communicated to subordinates just for implementation. Only 13 out of 94 (or 12.22%) leader respondents made the

TABLE-1 RESPONSES OF LEADERS WITH REGARD TO THEIR STYLES OF LEADERSHIP IN STATE OWNED ENTERPRISES (SOES)

Q. No.	Statement	Number of Respondents= 94			
		AS	PS	DS	SS
1	Provide Clear directions to subordinates	44	23	21	06
2	Provide structure of work to subordinates	43	21	22	08
3	Offer advice to subordinates	38	24	23	09
4	Make and communicating decisions	54	25	13	02
5	Provide incentives to subordinates for accepting/making decisions	48	22	21	03
6	Render help whenever the subordinates request for help	61	03	05	25
7	Make use of the subordinates' inputs	58	21	11	04
8	Recognise and appreciate subordinates	71	04	12	07
9	Assist subordinates when they need support	81	04	02	07
10	Adapt open minded approach in problem solving	78	05	06	05
11	Encourage the subordinates to be open minded	77	06	08	03
12	Support subordinates in times of need	68	07	09	10
13	Help subordinates in their career development	78	08	05	03
14	Enrich the subordinates	74	09	05	06
15	Empower subordinates	88	02	03	01
16	Communication with subordinates	48	21	18	07
17	Provide role to subordinates in strategic management activities.	88	03	02	01
18	Prefer to exercise all my rights by myself	87	02	03	02

Note: SOEs= State Owned Enterprises, AS= Autocratic Style, PS= Participative Style, DS= Democratic Style, SS=Situational Style 45.22%) leader respondents offered incentives to their followers for accepting and decisions on democratic basis. At the same time, it is noticed that 48 out of 94 (or implementing their decisions. Majority of the followers (52.92%) were in 'yes-boss' style of followership style when their bosses pushed the decisions down with some

incentive for accepting the decisions willingly. Thus, 48 out of 54 autocratic leaders were (or 88.89%) benevolent autocrats.

TABLE-2 RESPONSES OF FOLLOWERS WITH REGARD TO THEIR STYLES OF FOLLOWERSHIP IN SOES

Q. No.	Statement	Number of Respondents= 98				
		YBS	NBS	CS	CFS	SFS
1	Response to the directions of the superior	44	28	12	02	12
2	Response to the work structure provided by superior	42	27	14	04	11
3	Response to the advice provided by superior	13	06	01	44	34
4	Response to the decision accompanied by incentive of the superior	54	09	18	12	06
5	Response to the superior's help	53	17	11	09	08
6	Provide inputs to superiors	38	18	19	14	9
7	Being recognised and appreciated by superiors	68	00	00	09	21
8	Reception to superiors' assistance	57	09	00	18	14
9	Response to the open-minded approach of superior in problem solving.	19	54	11	11	03
10	Response to the encouragement of the superiors to be open minded	16	56	12	11	03
11	Response of superiors' support in times of need	53	12	13	09	11
12	Response to superiors' help in career development	58	14	08	12	6
13	Response to job enrichment	18	34	11	33	02
14	Response to job empowerment	16	32	09	38	03
15	Response to superiors communication	36	12	21	26	03
16	Response o the role to subordinates in strategic management activities.	12	44	11	28	03
17	Prefer to accept all rights of superiors	45	26	04	02	21
18	Response to the autocratic style decision making of the superior	32	22	11	09	24
19	Response to the participative style of decision making of the superior	11	44	13	21	09

20	Response to the democratic decision of the superior	09	51	12	20	06
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Note: SOEs= State Owned Enterprises, YBS=Yes Boss Style, NBS= No Boss Style, CS=Clarification Style, CFS= Critical Follower Style, SFS= Situational Follower Style

It is hard to observe that majority of the leader respondents i.e., 61 out of 94 (57.34%) were rule and procedure minded even when the subordinates request for help. It is hard to learn that only 13 out of 98 follower respondents accepted the advice of the leaders straight away. However 25 out of 94 (or 23.0%) of the leader respondents were situational in offering advice, whilst 34 out of 98 (or 33.32%) of the followers respondents were situational in receiving advice from their leaders. In other words, leaders assumed the democratic or participative styles depending up on the request and need of the followers whereas the followers assumed 'yes-boss' style of 'no-boss' style or 'clarifications style' and the like. Majority (44 out of 98) of the follower respondents were critical to the advice offered by their leaders. As many as 81 out of 94 (or 76.14) leader respondents followed rules and regulations even for assisting the subordinates, when the latter needed the support of the former. Though the leaders were rule-bound even in helping the subordinates, the latter were more of 'yes-boss'(53 out of 98) to any kind of help they receive from the former. Similarly, 57 out of 98 followers were in 'yes-boss' style in receiving assistance from their leaders.

Similar tendencies are observed with regard to making use of subordinates' inputs. Majority of the leader respondents did not make use of the inputs or skills of the subordinates as they view them as the authority for knowledge also based on their superiority in the organisational hierarchy. However, as many as 38 out of 98 followers provided inputs to the leaders straight away. More or less equal number of followers either rejected the plea of the leaders or just assumed clarification style rather than providing inputs as required by their leaders.

It is quite harness to observe that most of the leader respondents i.e., 71 out of 94 (or 66.74%) of the leader respondents did not recognise and appreciate the contributions of the subordinates to the organisational goals. However, majority of the followers were receptive for the recognition of their bosses. Majority of the leader respondents followed autocratic approach even in problem solving. As many as 78 out of 94 leader respondents were not at all open minded in problem solving and at the same time 77 out of 94 leader respondents did not encourage the subordinates in problem solving. Consequent upon this phenomenon, majority of the followers (54 out of 98) were in 'No-boss' style for the open-minded approach in problem solving. Even, when some leaders encouraged the followers towards the pen-minded approach in problem solving, majority of the followers rejected the idea. However, subordinates were happy for receiving the support in times of needs from the leaders.

Leaders in the SOEs were non-cooperative to subordinates in their career development. It is clear from the data that 78 out of 94 (or 73.32%) leader respondent were following rules and regulations in helping the subordinates in the career development. It is pity to note that 58 out of 98 (or 56.84%) of the respondents simply received career advice as and when the superiors offer some thing. This would probably due to the challenges of working in the structure of SOEs and also challenges from the colleagues as well as their superiors.

Majority of the leader respondents expressed that they could not enrich or empower the subordinates, as they had to follow the rules strictly in SOEs. In fact highest number of respondents i.e., 88 out of 94 respondents opined that they need to follow rules and norms even in empowering employees. Even the majority of subordinates rejected the idea of job enrichment (34 out of 98) and job empowerment (32 out of 98). Almost equal number of leader respondents with that of the idea of job enrichment could not provide a meaningful role to their subordinates in strategic management in the organization. Similar to the trend of job enrichment and empowerment, 44 out of 98 follower respondents rejected the idea of involving them in strategic management. In fact almost the same number of leaders in SOEs preferred to exercise all the rights by themselves rather than delegating to their subordinates. In contrast, majority of subordinates were willing to take up the responsibilities of their leaders.

Thus, it is clear from the analysis that majority of the leader respondents were autocrats in almost all respects and situations and majority of the followers were also in 'yes-boss' style, although there is a variation in the degree that less number of followers was in 'yes-boss' mode. It is harshening to note that majority of the followers did not prefer their boss to be in participative style (44 out of 98) democratic style (51 out of 98). Thus, it is viewed that there is corresponding match between leadership style and followership style, although they vary from situation to situation and from leader to follower. But, it is expected that the situational style is more appropriate to get effective results rather than following one style under the competitive situations. However, it is viewed that the private sector, which is prone to competition, cannot afford to allow, autocratic style of leadership and 'yes-boss' style of followership styles. It should encourage democratic style and situational styles for efficient performance and effective decisions. As such an attempt is made to analyse the styles adapted by the leaders and the followers in selected organizations in private sector.

Table-3 presents the responses of the leaders with regard o their style while Table-4 presents the responses of the followers with regard to the styles they adapt. It is observed from table-3 that majority of the leaders in private enterprises (48 out of 112 or 53.76%) followed situational leadership with regard to providing directions to subordinates followed by democratic style 38 out of 112 (or 42.56%) participative style by 34 leader respondents. Only 12 (or 13.45) of the leader respondents followed autocratic style. Correspondingly 28 out of 126 followers (or 35.28%) adapt situational follower style in responding to superior's directions. However, majority of the followers followed either 'clarifications style' (36 out of 126) or 'yes-boss' style in responding to the superior's directions. Thus, most of the leaders adapt situational, democratic and participative style, majority of the followers followed clarification style, critical style and situational style.

It is common that the superiors provide structure of work to subordinates. It is observed that majority of the superiors provided strict structure of work to the subordinates that would not allow the subordinates to deviate or use their knowledge or skill even in PEs. Similarly, it is observed from table-4 that majority of followers (42 out of 126) simply followed the work structure provided by the superiors. However, only 6 out of 126 follower respondents rejected the work structure provided by the bosses, which might have resulted in a conflict. 36 out of 126

subordinates allowed deviations in the work structure based on the subordinates knowledge and skills by following clarification style. 21 followers were critical of the work structure Thus it is clear that the followers were more adept to the nature of private sector organisations in this circumstance compared to that of the leaders, which would contribute to the effective functioning of the PEs.

It is interesting to observe that as many as 54 out of 94 (50.76%) of the leader respondents made the decisions on their own and communicated to subordinates just for implementation. Only 13 out of 94 (or 12.22%) leader respondents made the decisions on democratic basis. At the same time, it is noticed that 48 out of 94 (or 45.22%) leader respondents offered incentives to their followers for accepting and implementing their decisions. Majority of the followers (52.92%) were in 'yes-boss' style of followership style when their bosses pushed the decisions down with some

TABLE-3 RESPONSES OF LEADERS WITH REGARD TO THEIR STYLES OF LEADERSHIP IN PRIVATE ENTERPRISES (PES)

Q. No.	Statement	Number of Respondents= 112			
		A	P	D	S
1	Provide clear directions to subordinates	12	34	38	48
2	Provide structure of work to subordinates	43	29	28	22
3	Offer advice to subordinates	22	34	31	25
4	Make and communicating decisions	11	32	33	46
5	Provide incentives to subordinates for accepting/making decisions	12	23	44	43
6	Render help the subordinates whenever they request for help	08	34	67	03
7	Make use of the subordinates' inputs	09	24	56	23
8	Recognise and appreciate subordinates	08	28	41	45
9	Assist subordinates when they need support	06	29	71	06
10	Adapt open minded approach in problem solving	09	32	65	06
11	Encourage the subordinates to be open minded	11	22	54	35
12	Support subordinates in times of need	12	21	72	07
13	Help subordinates in their career development	26	25	37	34
14	Enrich the subordinates	36	44	28	04
15	Empower subordinates	43	42	21	06
16	Communication with subordinates	09	36	54	13
17	Provide role to subordinates in strategic management activities.	54	38	18	32
18	Prefer to exercise all my rights by myself	56	24	13	19

Note: PEs= Private Enterprises, AS= Autocratic Style, PS= Participative Style, DS= Democratic Style, SS=Situational Style incentive for accepting the decisions willingly. Thus, 48 out of 54 autocratic leaders were (or 88.89%) benevolent autocrats.

It is interesting to observe that majority of the leader respondents i.e., 34 out of 112 (38.08.34%) were participative, 31 out of 112 (34.72%) were democratic and 22 (or 24.64%) were situational when the subordinates request for help. It is hard to learn that only 13 out of 98 follower respondents accepted the advice of the leaders straight away. However 25 out of 94 (or 23.0%) of the leader respondents were situational in

TABLE-4 RESPONSES OF FOLLOWERS WITH REGARD TO THEIR STYLES OF FOLLOWERSHIP IN PRIVATE ENTERPRISES (PES)

Q. No.	Statement	Number of Respondents = 126				
		YBS	NBS	CS	CFS	SFS
1	Response to the directions of the superior	23	08	36	31	28
2	Response to the work structure provided by superior	42	06	36	21	23
3	Response to the advice provided by superior	44	08	23	26	25
4	Response to the decision accompanied by incentive of the superior	64	02	18	15	27
5	Response to the superior's help	56	07	16	19	28
6	Provide inputs to superiors	69	16	17	13	11
7	Being recognised and appreciated by superiors	36	13	29	33	15
8	Reception to superiors' assistance	36	12	34	26	18
9	Response to the open-minded approach of superior in problem solving.	35	14	23	26	28
10	Response to the encouragement of the superiors to be open minded	38	12	26	24	26
11	Response of superiors' support in times of need	79	02	23	21	01
12	Response to superiors' help in career development	38	18	26	21	23
13	Response to job enrichment	21	33	24	14	34
14	Response to job empowerment	19	35	28	26	18
15	Response to superiors communication	34	06	28	26	32
16	Response to the role of subordinates in strategic management activities.	31	08	23	28	36
17	Prefer to accept all rights of superiors	21	26	19	26	34
18	Response to the autocratic style decision making of the superior	24	34	27	23	18
19	Response to the participative style of decision making of the superior	34	07	23	27	35
20	Response to the democratic decision of the superior	44	09	24	28	21

Note: SOEs= State Owned Enterprises, YBS=Yes Boss Style, NBS= No Boss Style, CS=Clarification Style, CFS= Critical Follower Style, SFS= Situational Follower Style of offering advice, whilst 34 out of 98 (or 33.32%) of the followers' respondents were situational in receiving advice from their leaders. In other words, leaders assumed the democratic or participative styles depending up on the request and need of the followers whereas the followers assumed 'yes-boss' style of 'no-boss' style or 'clarifications style' and the like. Majority (44 out of 98) of the follower respondents were critical to the advice offered by their leaders. As many as 81 out of 94 (or 76.14) leaders respondents followed rules and regulations even for assisting the subordinates, when the latter needed the support of the former. Though the leaders were rule-bound even in helping the subordinates, the latter were more of 'yes-boss' (53 out of 98) to any kind of help they receive from the former. Similarly, 57 out of 98 followers were in 'yes-boss' style in receiving assistance from their leaders.

Similar tendencies are observed with regard to making use of subordinates' inputs. Majority of the leader respondents did not make use of the inputs or skills of the subordinates as they view them as the authority for knowledge also based on their superiority in the organisational hierarchy. However, as many as 38 out of 98 followers provided inputs to the leaders straight away. More or less equal number of followers either rejected the plea of the leaders or just assumed clarification style rather than providing inputs as required by their leaders.

It is quite harness to observe that most of the leader respondents i.e., 71 out of 94 (or 66.74%) of the leader respondents did not recognise and appreciate the contributions of the subordinates to the organisational goals. However, majority of the followers were receptive for the recognition of their bosses. Majority of the leader respondents followed autocratic approach even in problem solving. As many as 78 out of 94 leader respondents were not at all open minded in problem solving and at the same time 77 out of 94 leader respondents did not encourage the subordinates in problem solving. Consequent upon this phenomenon, majority of the followers (54 out of 98) were in 'No-boss' style for the open-minded approach in problem solving. Even, when some leaders encouraged the followers towards the pen-minded approach in problem solving, majority of the followers rejected the idea. However, subordinates were happy for receiving the support in times of needs from the leaders.

Leaders in the PEs were non-cooperative to subordinates in their career development. It is clear from the data that 78 out of 94 (or 73.32%) leader respondent were following rules and regulations in helping the subordinates in the career development. It is pity to note that 58 out of 98 (or 56.84%) of the respondents simply received career advice as and when the superiors offer something. This would probably due to the challenges of working in the structure of PEs and also challenges from the colleagues as well as their superiors.

Majority of the leader respondents expressed that they could not enrich or empower the subordinates, as they had to follow the rules strictly in PEs. In fact highest number of respondents i.e., 88 out of 94 respondents opined that they need to follow rules and norms even in empowering employees. Even the majority of subordinates rejected the idea of job enrichment (34 out of 98) and job empowerment (32 out of 98). Almost equal number of leader respondents with that of the idea of job enrichment could not provide a meaningful role to their subordinates

in strategic management in the organization. Similar to the trend of job enrichment and empowerment, 44 out of 98 follower respondents rejected the idea of involving them in strategic management. In fact almost the same number of leaders in PEs preferred to exercise all the rights by themselves rather than delegating to their subordinates. In contrast, majority of subordinates were willing to take up the responsibilities of their leaders.

Thus, it is clear from the analysis that majority of the leader respondents were autocrats in almost all respects and situations and majority of the followers were also in 'yes-boss' style, although there is a variation in the degree that less number of followers was in 'yes-boss' mode. It is harshening to note that majority of the followers did not prefer their boss to be in participative style (44 out of 98) democratic style (51 out of 98). Thus, it is viewed that there is corresponding match between the leadership styles and followership styles in PEs.

Outcomes

The match and mismatch situations of leadership and followership styles and situations produce different outcomes.

Match Circumstances

Table-5 presents outcomes in leadership-followership match situations in SOEs. It is observed from the table that 29.14% of the leaders and 22.54% felt that the match in styles produced congenial relations. 43 out of 94 leader participants and 21 out of 98 follower participants felt that the match between the styles resulted in proper understanding of leader and follower. The other outcomes include smooth flow of work as perceived by 45 leaders and 21 followers, higher work efficiency and realisation of follower's potentialities. Majority of the leaders felt that there was appropriate direction and strategy due to the match between leadership and followership style. But this view was endorsed by only 10.78 % of the follower respondents. Thus, higher percentage of leader respondents was of favourable outcomes of match between the leadership and followership styles than that of followers.

The match and mismatch situations of leadership and followership styles and situations produce accurate outcomes. Table-6 presents outcomes in leadership-followership and situational match circumstances in SOEs. It is observed from the table that 21.62% of the leaders and 23.52% of follower respondents felt that the match in styles and situations produced congenial relations. 21 out of 94 leader participants and 22 out of 98 follower participants felt that the match between the styles and situations resulted in proper understanding of leader and follower. The other outcomes include smooth flow of work as perceived by 17 leaders and 20 followers, higher work efficiency and realisation of follower's potentialities. 14 leaders and 23 followers felt that there was appropriate direction and strategy due to the match between leadership and followership style with that of the situation. Other outcomes include efficient implementation of the strategy by the followers and job satisfaction of leaders and followers. Unlike in the leadership-followership match, more or less equal percentage of the respondents viewed the outcomes. However, less number of leaders experienced the positive outcomes in the three-dimensional circumstances. In other words, the chances of match among leadership-followership and situations were less compared to that of leadership and followership. Thus, leaders and followers did not adapt right style that would be appropriate to the situational requirements. Therefore, it is suggested that the leaders should understand the situational requirements and then decide the

right leadership and followership style, motivate/manage the followers to adapt the right style and the leaders also adapt the appropriate style in order to derive the efficient outcomes.

TABLE-5: OUTCOMES IN LEADERSHIP-FOLLOWERSHIP MATCH SITUATIONS IN STATE-OWNED ENTERPRISES (SOES)

S.No.	Outcome	No. of leader respondents 94	No. of follower respondents 98
1	Congenial superior-subordinate relationships	31	23
2	Proper Understanding of leader and follower	43	21
3	Smooth flow of work	45	23
4	Higher work efficiency	56	26
5	Realisation of follower's potentialities	34	12
6	Appropriate direction and strategy by the leader	65	11

TABLE-6: OUTCOMES IN LEADERSHIP-FOLLOWERSHIP-SITUATIONAL MATCH SITUATIONS IN STATE-OWNED ENTERPRISES (SOES)

S.No.	Outcome	No. of leader respondents 94	No. of follower respondents 98
1	Congenial superior-subordinate relationships	23	24
2	Proper Understanding of leader and follower	21	23
3	Smooth flow of work	17	20
4	Highest work efficiency	09	12
5	Realisation of follower's potentialities to the fullest extent	12	26
6	Appropriate direction and strategy by the leader	14	23
7	Efficient implementation of the strategy by the follower	11	12
8	Job Satisfaction to the leader and follower	14	14

However, the situations with regard to outcomes in PEs should be different from that of the SOEs as the higher percentage of the respondents in PEs experienced the matching situations in PEs. Table-7 presents outcomes in leadership-followership match situations in PEs. It is observed from the table that 69.64% of the leaders and 70.36% felt that the match in styles produced congenial relations. 67.85% of leader participants and 69.84% follower participants felt that the match between the styles resulted in proper understanding of leader and follower. The other outcomes include smooth flow of work as perceived by 87 leaders and 92 followers, higher work efficiency and realisation of follower's potentialities. Majority of the leaders (102 out of 112) and 118 out of 126 follower respondents felt that there was appropriate direction and strategy due to the match between leadership and followership style. Thus, higher percentage of leader respondents and follower respondents were of favourable outcomes of match between the leadership and followership styles.

TABLE-7: OUTCOMES IN LEADERSHIP-FOLLOWERSHIP MATCH SITUATIONS IN PRIVATE ENTERPRISES (PES)

S.No.	Outcome	No. of leader respondents 112	No. of follower respondents 126
1	Congenial superior-subordinate relationships	78	89
2	Proper Understanding of leader and follower	76	88
3	Smooth flow of work	87	92
4	Higher work efficiency	89	95
5	Realisation of follower's potentialities	98	116
6	Appropriate direction and strategy by the leader	102	118

The match situations of leadership and followership styles and situations produce accurate outcomes. Table-8 presents outcomes in leadership-followership and situational match circumstances in PEs. It is observed from the table that 64.28% of the leaders and 90.47% of follower respondents felt that the match in styles and situations produced congenial relations. 74 out of 112 leader participants and 98 out of 126 follower participants felt that the match between the styles and situations resulted in proper understanding of leader and follower. The other outcomes include smooth flow of work as perceived by 88 leaders and 116 followers, higher work efficiency and realisation of follower's potentialities. 86 leaders and 97 followers felt that there was appropriate direction and strategy due to the match between leadership and followership style with that of the situation. Other outcomes include efficient implementation of the strategy by the followers and job satisfaction of leaders and followers. Unlike in the leadership-followership match, higher percentage of the follower respondents viewed the outcomes. However, more percentage of leaders experienced the positive outcomes in the three-dimensional circumstances in PEs compared to that of those on SOEs. In other words, the chances of match among leadership-followership and situations were more in PEs compared to that in SOEs. Thus, leaders and followers in PEs adept right style that was appropriate to the situational requirements.

TABLE-8: OUTCOMES IN LEADERSHIP-FOLLOWERSHIP-SITUATIONAL MATCH SITUATIONS IN PRIVATE ENTERPRISES (PES)

S.No.	Outcome	No. of leader respondents 112	No. of follower respondents 126
1	Congenial superior-subordinate relationships	72	114
2	Proper Understanding of leader and follower	74	98
3	Smooth flow of work	88	116
4	Highest work efficiency	85	118
5	Realisation of follower's potentialities to the fullest extent	91	114
6	Appropriate direction and strategy by the leader	86	97
7	Efficient implementation of the strategy by the follower	94	101
8	Job Satisfaction to the leader and follower	98	115

Mismatch Circumstances

The preceding analysis indicates that there were matching circumstances that produced favourable outcomes with regard to work related activities and relations between superior and subordinate. In contrast, it is viewed that the mismatch circumstances between the leadership and followership styles on the one hand and with the situational demands on the other hand produces negative outcomes. Table-9 depicts the outcomes in leadership-followership mismatch situations in SOEs. It is harness to observe that majority of the leader respondents as well ad follower respondents viewed that the mismatch situation produced negative outcomes. 59.57% of leader respondents and 62.24% of follower respondents expressed that the mismatch situations between leadership style and followership situations led to conflicts between leader and follower. The mismatch situations led to misunderstanding between leaders and followers, work disturbances, decline in work efficiency, under- utilisation of followers' potentialities and job dissatisfaction and frustration of the followers. Highest percentage of leader respondents and follower respondents opined that the mismatch resulted in work disturbances.

Table-10 presents the outcomes in leadership-followership and situational mismatch situations in SOEs. It is harness to observe that majority of the leader respondents as well ad follower respondents viewed that the mismatch situation produced negative outcomes. 61.70% of leader respondents and 62.24% of follower respondents expressed that the mismatch situations between leadership style and followership situations led to conflicts between leader and follower. The mismatch situations led to misunderstanding between leaders (67.025) and followers (64.28%). Further it produced the negative outcomes like work disturbances, decline in work efficiency, under- utilisation of followers potentialities and job dissatisfaction and frustration of the followers. Highest percentage of leader respondents and follower respondents opined that the mismatch resulted in under-utilisation of followers' potentialities.

TABLE-9: OUTCOMES IN LEADERSHIP-FOLLOWERSHIP MISMATCH SITUATIONS IN STATE-OWNED ENTERPRISES (SOES)

S.No.	Outcome	No. of leader respondents 94	No. of follower respondents 98
1	Conflicts between leader and follower	56	61
2	Misunderstanding of leader and follower	58	66
3	Work Disturbances	62	68
4	Decline in work efficiency	54	58
5	Under-utilisation of follower's potentialities	59	61
6	Job dissatisfaction and frustration of the follower	23	68

TABLE-10: OUTCOMES IN LEADERSHIP-FOLLOWERSHIP-SITUATIONAL MISMATCH CIRCUMSTANCES IN STATE-OWNED ENTERPRISES (SOES)

S.No.	Outcome	No. of leader respondents 94	No. of follower respondents 98
1	Disturbed superior-subordinate relationships	58	61
2	Misunderstanding of leader and follower	63	63
3	Disturbed flow of work	65	64
4	Lowest work efficiency	61	65
5	Under-utilisation of follower's potentialities	67	68
6	Inappropriate direction and strategy by the leader	59	69
7	Inefficiency in implementing the strategy by the follower	61	67
8	Job Dissatisfaction to the leader and follower	66	69

Thus it is evident that more than 60% of both leader respondents as well as follower respondents expressed that the mismatch situations produced negative outcomes in SOEs. But the preceding analysis indicates that the mismatch situations in PEs were relatively less compared to that in SOEs. Therefore, it is viewed that the negative outcomes would be less in PEs as compared that in SOEs. Table-11 presents the outcomes in leadership-followership mismatch situations in PEs. It is clear that 18.75% of leaders' respondents and 18.25% of follower respondents opined that the mismatch situations resulted in conflicts between leader and follower. Similarly less than 20% of both leader and follower respondents identified other negative outcomes of mismatch situations like misunderstanding between leaders and followers, work disturbances, decline in work efficiency, under- utilisation of followers potentialities and job dissatisfaction and frustration of the followers. Lowest percentage of leader respondents and follower respondents opined that the mismatch resulted in job dissatisfaction and frustration of followers.

TABLE-11: OUTCOMES IN LEADERSHIP-FOLLOWERSHIP MISMATCH SITUATIONS IN PRIVATE ENTERPRISES (PEs)

S.No.	Outcome	No. of leader respondents 112	No. of follower respondents 126
1	Conflicts between leader and follower	20	21
2	Misunderstanding of leader and follower	23	21
3	Work Disturbances	18	22
4	Decline in work efficiency	20	24
5	Under-utilisation of follower's potentialities	16	21
6	Job dissatisfaction and frustration of the follower	12	14

Talbe-12 presents the outcomes in leadership-followership and situational mismatch situations in PEs. It is clear that 17.85% of leaders' respondents and 16.66% of follower respondents opined that the mismatch situations resulted in conflicts between leader and follower. Similarly less than 20% of both leader and follower respondents identified other negative outcomes of mismatch situations like misunderstanding between leaders and followers, work disturbances, decline in work efficiency, under- utilisation of followers potentialities and job dissatisfaction and frustration of the followers. Lowest percentage of leader respondents and follower respondents opined that the mismatch resulted in job dissatisfaction and frustration of followers.

TABLE-12: OUTCOMES IN LEADERSHIP-FOLLOWERSHIP-SITUATIONAL MISMATCH SITUATIONS IN PRIVATE ENTERPRISES (PES)

S. No.	Outcome	No. of leader respondents 112	No. of follower respondents 126
1	Disturbed superior-subordinate relationships	21	23
2	Misunderstanding of leader and follower	17	21
3	Disturbed flow of work	18	20
4	Lowest work efficiency	21	18
5	Under-utilisation of of follower's potentialities	22	19
6	Inappropriate direction and strategy by the leader	23	23
7	Inefficiency in implementing the strategy by the follower	17	21
8	Job Dissatisfaction to the leader and follower	11	18

CONCLUSION AND FURTHER RESEARCH IMPLICATIONS

It is clear from the analysis that leaders in SOEs mostly adapt autocratic style and the followers adapt yes-boss style in majority of the situations. Though these styles match with each other, they did not match with the situational demands. Majority of the leader respondents were happy with the outcomes as they could experience commanding the subordinates and following the procedural formalities rather than producing the outcomes and meeting the targets. Majority of the followers and some leaders experienced negative outcomes like conflicts between leaders and followers, work disturbances, decline in work efficiency, under-utilisation of followers' potentialities, job dissatisfaction and frustration among the followers. Further the analysis indicates that majority of the leaders in PEs adapt democratic, participative and situational styles and the followers adapt clarification style, critical style and situational style. Thus match between the leadership and followership styles took place in majority of the situations. Further leadership styles, followership styles matched with the situational demands in PEs. PEs mostly experienced positive outcomes. Therefore, it is suggested that leaders in SOEs should mostly adapt such styles that match the situational demands and then encourage or motivate the followers to adapt the corresponding style. Such a three dimensional match should produce positive results as is the case with PEs. However, SOEs should adapt the organisational culture similar to that of PEs, so that the leaders would adapt to appropriate style.

It is further suggested that the leaders in PEs should intensively adapt appropriate style based on the situational demands and enrich and encourage the subordinates further in order to maximise the benefits of three dimensional match.

This study has pointed out some early findings relating to leadership and followership styles in SOEs and PEs in Papua New Guinea, but further studies are required on a larger sample covering all other areas not covered in this study. Particular attention needs to focus on the reasons for under development of organisational culture and its influence on leadership and followership styles. Such an endeavour should account for cultural factors.

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EMOTIONAL INTELLIGENCE AND ITS INFLUENCE ON EXECUTIVE PERFORMANCE

D. Rasulova*

*Doctor of Philosophy (PhD) in Historical Sciences,
UZBEKISTAN

Email id: durdonarasulova@inbox.uz

ABSTRACT

In today's competitive labour market, possession of managerial skills is insufficient. Modern leaders must have developed skills of "Emotional Intelligence". Emotional intelligence ("EI") is associated with the skills of flexibility, planning, communication and relationships. These skills are needed to influence and energize employees and to help them adapt to rapid change. Tools such as objective competency assessments and feedback can be important to the development of managers in these areas. They are still not widely practiced because of frankness generates emotions, and emotions can be scary. Emotional intelligence is a skill that can be learned and developed through solution-oriented coaching, as it develops the ability to deepen the understanding of the structure of internal dialogue habits. A certain context always determines the quality and type of internal conversations that we listen to. We live among these internal conversations, and for most of us the context is random, so our internal conversations are beyond our own control. The main purpose of this article is to understand the difference between constant strong feelings about all work problems and responsible constructive attitude.

KEYWORDS: *Emotion, Emotional Intelligence, Management, Competence, Motivation, Conflict, Awareness.*

INTRODUCTION

Emotional intelligence is the ability to effectively understand the emotional sphere of human life: to understand and use emotions to solve practical problems. Understanding of emotional intelligence allows avoiding many conflicts between managers and assistants, allows effectively motivate oneself, as well as quickly recovering from stressful negative situations.

First of all, it makes sense to determine what a person needs in order to develop emotional intelligence. It is difficult for an adult to develop something "for easy". In order to develop EI

skills and to bring real benefit, it is necessary to formulate specific goals, what exactly is important to change and get as a result.

MAIN WORDS

The term “Emotional Intelligence” was first introduced in 1985 by W. Payne, D. Mayer and P. Salovey proposed their concept of emotional intelligence in 1990. Emotional intelligence is the ability to deeply comprehend, appreciate, and express emotions; the ability to understand emotions and emotional knowledge; and the ability to control emotions, which contributes to the emotional and intellectual growth of the individual. The authors identified four components in its structure (identification, use, understanding and management of emotions). Many studies have been carried out to find out what benefits emotional intelligence has in terms of work or sports results, as well as human well-being.

Reuven Bar-On defines emotional intelligence as “all the non-cognitive abilities, knowledge and competence that enable a person to cope successfully with various life situations”. D.Goleman's concept of emotional intelligence is based on the early ideas of P. Salovey and D. Mayer with a number of additions. D. Goleman, R.E. Boyatzis, and A. McKee identify two types of skills inherent in people with high emotional intelligence: personal skills (abilities that determine how to manage themselves) and social skills (abilities that determine how to manage relationships with people) [8].

Existing models of emotional intelligence are considered in the context of two research directions. Representatives of the first direction (D. Goleman, R. Bar-On) consider emotional intellect as a complex of cognitive abilities and personality traits. The representatives of the second direction (D. Mayer, P. Salovey, D. Caruso; D. V. Lucin) consider that emotional intelligence is a set of cognitive abilities [14: 14–15; 15:110–115].

In the history of psychology, the concept of emotional intelligence is best known, developed by D.V. Lucin, who presented it as “the ability to understand and control one's own and others' emotions” [11; 29-36].

R. Bar-On identified five spheres of competence that can be identified with five components of emotional intelligence. Each of these components consists of several subcomponents: “Cognition of oneself (awareness of one's own emotions, self-confidence, self-respect, self-actualization, independence); Interpersonal communication skills (empathy, interpersonal relationships, social responsibility); ability to adapt (problem solving, connection with reality, flexibility);

Stress management (stress tolerance, control of impulsivity); Prevailing mood (happiness, optimism)” [11].

D. Goleman identifies the following components of emotional intelligence and the associated personal and social skills:

- 1) Personal skills, which determine how we manage ourselves. These include: emotional self-consciousness, precise self-esteem, self-confidence, self-control, openness, adaptability, will to win, initiative, optimism;
- 2) Social skills that define how we manage our relationships with people. Social skills include social sensitivity: empathy, prevention, inspiration, influence, help with self-improvement, conflict resolution skills, strengthening personal relationships, teamwork and cooperation [9].

The emergence of the theory of social intellect first, and then emotional intellect was facilitated by the revealed fact of general intellect insolvency in determining success in the social environment, in the process of communication, and consequently in family life, career and professional activity [13: 169].

In a number of modern theories, “emotion” is considered as a special type of knowledge. According to this approach to the understanding of emotions, the concept of “emotional intelligence” is put forward, which in scientific psychological concepts is defined as a set of intellectual abilities to understand and manage emotional states. [1; 2; 3; 4; 5; 16].

As it was already said, a person who understands his or her emotions can reduce the impact of negative ones, as well as introduce himself or herself into any condition. If he is lazy now, he can find ways to get rid of this state and enter the working world. If he is sad, he can relax a little. But then again, to change his mood, he must first learn to understand his current condition.

Closely related to the notion of emotional intelligence is the notion of “emotional literacy” – the targeted enhancement of emotional competence [16: 20–27] to recognize the physiological signs of anger.

Emotional outbursts are not always damaging to relationships. Sometimes they also bring some benefit. However, emotional coldness will never benefit the relationship. It is unpleasant in social-role and business communication, as a demonstration of indifference to what is happening, because it destroys the very possibility of mutual understanding between close people [7: 181].

American psychologist J. Pennebaker spent 40 years of research trying to identify the connection between recording and understanding emotions. The studies have shown that people who regularly record their experiences and emotional states have a marked improvement in physical and mental well-being.

These experiments also showed that, over time, those who wrote about their feelings developed an understanding of what they meant (or what they did not mean exactly, which is equally important) using phrases such as “It struck me”, “The reason is that ...”, “I now understand that ...”. The writing process has allowed them to get a new perspective on their emotions and a clearer understanding of their impact and consequences.

Incorrect perception often results from certain expectations. Mismatching expectations with reality, action and result causes unpleasant feelings: so, to hope is to be dissatisfied with what is here and now and to have unreasonable expectations about the development of the situation. At the same time, the more significant our expectations are, the more desires are embodied in them; the stronger is the reaction to the misalignment with reality [10: 672].

For example, the interlocutor is irritated by something and does not want to be approached, let alone treated. In this case, it is very important to learn to read the emotional state of the partner to skillfully select the words. The art of reading people teaches a discipline such as profiling. To develop this skill in yourself, it is necessary to take special courses.

Perhaps you know your emotional state well, but you have a bad understanding of someone else's (it happens all along). This leads to conflicts, because you transfer your condition to the person you are talking to, believing that he or she is in the same mood. This is why it is so important to learn to understand him or her correctly.

When a person prefers the strategy of openness to emotional events, he or she is able to empathize with others to a greater extent than if the mechanism for controlling the emotional experience acts in the direction of its limitations [5: 433–442].

Why is it so important to recognize your emotional state and that of others? It is simple: the direction of thoughts, thinking abilities, behavior, level of aggression, motivation, sociability depend on it.

If you do not understand your emotional state, you cannot influence it if it becomes destructive. You will probably try to muffle it with external solutions, such as alcohol, cigarettes or food - but all this in the end will not help and will affect both health and psyche.

Emotions control a person more than it seems at first sight. Even the absence of emotions is an emotion, or rather a whole state, which is characterized by its peculiarities in human behavior. Because emotional condition as a mental state that arise during the subject's life activity and determine not only the level of information and energy exchange, but also the behavior.

If you are not able to recognize the emotional state of the interlocutor, it can lead to conflicts. For instance, sometimes while talking to a person as usual, you encounter aggression. This concept can be defined as a series of mental abilities that focus on identifying and regulating our emotions and feelings. This takes into account both the attitude towards these emotions and the influence they have when it comes to motivating and treating others.

The high level of development of all components of “EI” helps us to build a more effective career and feel satisfied with our work. Let us highlight the necessary recommendations for the mini training. *According to science journalist D. Goleman, the term “Emotional intelligence” includes 5 components*

- 1. Self-awareness** – the ability of a person to understand his or her emotions and motivation, to assess his or her weaknesses and strengths, and to define goals and life values.
- 2. Self-regulation** – the ability to control one's own emotions and to contain impulses.
- 3. Motivation** – the ability to pursue a goal for the very fact of achieving it.
- 4. Empathy** – the ability to understand the emotions of others, to consider others' feelings when making decisions, and to empathize with people.
- 5. Social skills** – the ability to build relationships with people and guide their behaviour in the desired direction [6].

CONCLUSION

Thus, the analysis of existing theoretical concepts allowed to conclude that the formation of emotional intelligence is conditioned by such individual psychological features as emotional self-consciousness, accurate self-esteem, self-confidence, ability to control emotions, openness, adaptability, initiative, optimism, empathy, precaution, enthusiasm, ability to influence others, desire for self-improvement, ability to resolve conflicts and ability to cooperate.

We live in an “era of crisis”: acceleration of the pace of life, interpersonal conflicts and other factors cause a lot of phenomena, so-called stressors, the impact of which on a person is manifested in specific reactions of the body. This can be avoided. It is possible and necessary to manage your emotions, not only your own, but also those of the people who surround us at work, in business, in the family.

For a long time it was believed that the best way to combat negative emotions is to contain them. However, practice shows that this is not the best way. A successful alternative is to develop positive, constructive patterns of behavior based on your own emotional self-regulation, the ability to understand your own emotions and those of your partner, as well as to effectively manage them without experiencing any tension.

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PSYCHO-DIAGNOSTIC COMPETENCE: AS A PREDICATOR OF SUCCESSFUL PEDAGOGICAL EXPERIENCE

Shodiyeva Raykhon Saydullayevna*

*PhD Student,
Tashkent State Technical University,
UZBEKISTAN

ABSTRACT

This article analyzes the formation of psycho-diagnostic competencies in undergraduate students, on the basis of which they can successfully engage in professional activities, with its cognitive, communicative, social and autopsychological systems. Today's teachers must be universal specialist, tutor, learner or more exactly, they always have to work on their development and they should live with studying all the time²". In the essence of that emphasize, it can be noticed that requirements of teacher's professionalism, their professional competence are increasing. And marking them requires to have psycho-diagnostic competences. Psycho-diagnostic competence is the ability to provide private characters of students, process of acquiring educational information, technique of putting into practice their gained knowledge. Moreover, each of these educations service for founding possibilities of providing society's development on the basics of some scientific conceptions. In this emphasis, it is indicated special attention to continue for preparing high quality personals. In the sequence of that, it is caused to increase job qualities, knowledge, practice and experiences of students who study at high schools during the studying period and those qualities are essential for every specialist in manufacturing. That indication depends on what they cannot express professional qualities in open lessons or seminars, trainings while doing scientific experience. 39% of respondents showed that they can define how and on what level students understand the information they are giving during the lesson, their outlooks and attitudes. They observe pedagogical experience of their colleagues and compare them with their achievements. "Individual approaching to students" and "Awaking students' interests in teaching subject" are leading principals of those groups of respondents' experience.

KEYWORDS: *Professionalism Of Teachers, Professional Competence, Psycho-Diagnostic Competence, Pedagogical Improvisation, Pedagogical Observation, Predictive Signs Of Activity, Cognitive, Communicative, Social And Auto-Psychological Systems.*

INTRODUCTION

There are many educations to provide society's development such as: economic, political, cultural, theological, historical, philosophical and etc. Moreover, each of these educations service for founding possibilities of providing society's development on the basics of some scientific conceptions. If we approach the problem systematically human is embodies the essence of either scientific conceptions that related to provide development of society and providing control of society's life. Accurately, it is the personality of great intellectual, scientist, political leader or producer. Because of that, it is approaching as a state policy for modernization of educational system in our country. For example, "Developing continuous educational system, increasing opportunities of qualified educational services, continuing politic of preparing qualified personals(employees) that is suitable for the modern demand of job marked¹"are clearly emphasized in the fourth section named "Developing education and subject area" of the fourth chapter named "Priorities of developing social area" of advanced strategies for five important directions of developing the Republic of Uzbekistan between 2017-2021.

In this emphasis, it is indicated special attention to continue for preparing high quality personals. In the sequence of that, it is caused to increase job qualities, knowledge, practice and experiences of students who study at high schools during the studying period and those qualities are essential for every specialist in manufacturing. Those important attempts are termed to supply social order directly or more accurately they are termed with demands and invitations that are suggested for providing development of modern society. Because of that, President of our country Sh.M. Mirziyoyev said, "We all understand that today's intense time puts very important and complicated problems of educational system as a sequence of all of the other fields" in his greeting speech for teachers and trainers on 1th October in 2019. Of course, it is possible to create all conditions, build study buildings and equip them modern for our young generation's gaining knowledge. However, preparing teachers and trainers who think innovational and modern, educate and train our young generation under the high criteria is one of the most difficult objects and it requires very hard work and responsibility. That's why it is emphasized- "Today's teachers must be universal specialist, tutor, learner or more exactly, they always have to work on their development and they should live with studying all the time²". In the essence of that emphasize, it can be noticed that requirements of teacher's professionalism, their professional competence are increasing. Moreover, teachers have to study while teaching and learn while training. After this, they are not only aware of new scientific and technical improvements but also develop their knowledge, which have gained to provide our national development. Preparing students for practical activities is very important for increasing essential conceptions of learners, modernity of educational resources and for reaching integration between education and manufacture. Many researches about this problem have done on the subjects of pedagogy and psychology. As a sequence of them, the theme of increasing and developing competences are approached specially. For example, scientists who support psychological approach state their opinions about developing competences on the basis of education-training³ while others who support social pedagogical approach⁴ prefers context of social attitudes. Supporters of psychological approach explain their opinions as knowledge, practice and experience that are important to provide scientific stability of competence activities. Notional fundamental, which unites them, is developing specialist personal and human maturity in the process of education.

To our point of view, competence is educational collection, which is embodied on specialist personal for doing professional objects and it is integrative descriptive of abilities of specialist

personal. In the scientific researches about competence and its classification, their functional classification are carried out as following:

- Daily competence;
- Political competence;
- Meta-competence;
- Objective competence;
- Methodical competence;
- Psychological-pedagogical competence;
- Informational-technological competence;
- Professional pedagogical competence;
- Social competence;
- Controlling competence;
- Communicative competence;
- Cultural competence;
- Psychological competence etc.

Psycho-diagnostic competence cannot be found in that classification of the competence. We think, developing psycho-diagnostic competences on students who study at professional education specialty is the fundamental, which provides successful occupation of their professional experience. Psycho-diagnostic competence provides that pedagogical experience of professional educational teacher being successful. Nowadays, researches about studying structure of success, its objects and maintenance have been done⁵ and those scientists pay special attention to encourage professional success. O. Musurmonova and R. Samarov have studied the psychological and pedagogical sides of the problem of providing successful managing process. They said, “Human is the force of financial and spiritual creating, they civilize the mode of life cycle by creating some kind of object (for example teapot or cup) using machines” and they build stable social consideration. “Creating stable social consideration or more clearly, sympathize with themselves and people who are around them (including learners- R.Sh.), acting accepted criterions, able to provide development of their character by understanding that they are responsible for their character are criterions that shows daily and social knowledge, practice, experience and abilities of human are directed to be cultural creator⁶”.

While occupying with cultural creating, it is essential to mark functional role of private or more accurately scientific and operational components such as dynamics of pedagogical process, attitude of students to their occupying job, aspirations for reaching positive changes of professional experience. And marking them requires to have psycho-diagnostic competences. Psycho-diagnostic competence is the ability to provide private characters of students, process of acquiring educational information, technique of putting into practice their gained knowledge. If we say it as a one sentence, it is the ability to provide pedagogical scoring of individual-psychological skills of students individually. And pedagogical score marks the changes on students during educational process, ways of using their acquired knowledge in practice, getting accustomed to social-professional consideration and conforming the norms of showing their professional properties. As a result, cultural foundation is created for that pedagogical experience becomes successful.

Model theoretical definition of psycho-diagnostic competence is not exist, but A.K. Markova, T.M. Maryutina, O.Y. Yermolayev, V.I. Trubnikov, T.N. Sherbakova, R.A. Roe, R.S.Mansfeld

and others have emphasized the importance of psycho-diagnostic competence for reaching success in professional experience⁷.

Psycho-diagnostic competence in pedagogical experience covers following important private structures.

1. Psychological knowledge about individual psychological properties of students' educational activities;
2. Analysing pedagogical situation, choosing educational resources respecting students private abilities, sorting and delivering, supporting innovative practice while solving pedagogical problems;
3. Organizing experiments to choose the cleverest of their subject, the best methodist, researcher and pedagogical practice and carrying out the analyse, pedagogical analyse;
4. Professional though, possessing essential professional qualities;
5. Accepting pedagogical improvisation or more clearly deciding unexpected pedagogical decision and putting it into practice;
6. Pedagogical observation, ability separating signs which doesn't seem as important for pedagogical situation during teaching process ana etc.

It can be emphasized under the basics of structural-functional classification of psycho-diagnostic competence that it gives the opportunity to mark exactly private maturity of student, dynamic of acquiring professional qualities, alternations that are observed while developing professional thoughts and also difficulties which are observed in individual educational experience. It is obvious from the information above that psycho-diagnostic competence provides doing pedagogical experience successfully. Developing psycho-diagnostic experience on students who studying at professional educational specialties is not only beneficial for pedagogue and high schools, but also beneficial for society.

Although it is possible to separate objective and subjective criteria of pedagogical success, psycho-diagnostic competence provides significance of experience.

Prognostic signs of experience as subjective criterion of success are following:

-showing the model of character which is related to themselves, students, working staff and the long term results;

-private qualities such as confidence, emotional stability, social activities, responsibility, socializing and being co-operative;

-interesting their job, full understanding of the job, doing professional tasks with pleasure, motivations and attempts;

As objective criterions:

-effectiveness of professional experience;

-achieving accurate results on pedagogical system;

-admitting and supporting their achievements by pedagogical colleague.

In science, if we take psychological, sociological, cultural and economic examples of expression into consideration for psycho-diagnostic competence as system cognitive, communicative, social and auto-psychological are collected under it.

We have done pedagogical survey among 110 teachers who have been teaching students who study at professional educational specialties at Tashkent state technical universities and our aim was defining whether their pedagogical experience was successful. The most essential goal of doing that pedagogical survey was marking their professional capability, which is very important for developing psycho-diagnostic competence on students.

According to results of pedagogical survey, operational indications are average on 55% of respondents; they meet difficulties of controlling students' individual educational process. Level of scientific indication is very low on 45% of respondents. It shows that they have to develop their professional thought. Because, respondents in that group expected to be general relations in educational process. It was noticed that position, which is achieved in social-professional consideration, is also lower on 45% of respondents. That indication depends on what they cannot express professional qualities in open lessons or seminars, trainings while doing scientific experience. 39% of respondents showed that they can define how and on what level students understand the information they are giving during the lesson, their outlooks and attitudes. Teachers in that group can be in the center of our research. Because of that, we aim studying their private qualities, which are observed pedagogical experience.

It has been defined during the researches we did that respondents who are in that group analyze scientific resources about pedagogy and psychology regardless of their major. They observe pedagogical experience of their colleagues and compare them with their achievements. "Individual approaching to students" and "Awaking students' interests in teaching subject" are leading principals of those groups of respondents' experience.

Generally, It would be expedient if psycho-diagnostic competence is developed on future professional teacher while they are studying high schools. For that, special attention to functional role of pedagogical and psychological knowledge while teaching pedagogy and psychology courses is expedient

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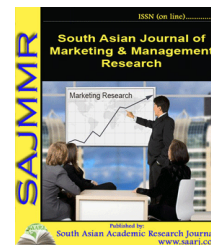
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STRATEGY FOR INNOVATIVE DEVELOPMENT OF MODERN TOURISM INDUSTRY

Boyturaev Olimjon*

*Teacher

Namangan Engineering-Construction Institute
Namangan, UZBEKISTAN

ABSTRACT

Recently, tourism has developed significantly in the world economy and has become a mass socio-economic phenomenon on an international scale. Today, its rapid development contributes to the expansion of political, economic, scientific and cultural ties between the states and peoples of the world. The mass development of tourism allows millions of people to expand their knowledge about the history of their country and other countries, to get acquainted with the attractions, culture and traditions of a particular country. This article explains the proposed strategies for the development of the modern tourism industry. Targeted tasks are also mentioned.

KEYWORDS: *Tourism Industry, Infrastructure, Strategy, Regional Economy, Marketing Strategy.*

INTRODUCTION

In modern conditions, the main way to increase the competitiveness of manufactured goods, maintain high rates of development of the Republic of Uzbekistan and the level of profitability for enterprises is the introduction of innovations. However, innovations are a source of development only if they are actively and effectively used, as well as creating a favorable environment for their implementation.

In this regard, strategic management of innovative development of enterprises is of particular importance, which focuses production activities on the needs of consumers, allows for a more flexible response and timely changes, and to achieve competitive advantages in the long term. Thus, the strategy of innovative development of an enterprise can be defined as a set of actions and methods of conducting innovative activities that provide competitive advantages through the development and implementation of innovations. One of the main directions of innovative development of an industrial enterprise is the integration of production and tourism activities, the development of industrial tourism.

The purpose of this study is to determine the main approaches to the organization of integration of industry and tourism as the basis of innovative processes in industrial enterprises.

The initial point of forming an innovative development strategy can be an analysis of the state of the external environment. It aims to identify opportunities and threats in the macro - and micro-economic environment. When forming strategic behavior and choosing directions for innovative development, it is important for an enterprise to analyze the current economic conditions and assess the future changes that may occur as a result of technological innovation. Having chosen a new or improving technology for implementation that best meets the requirements of external efficiency of economic development, it is necessary to start evaluating the internal strengths and weaknesses of the enterprise [1].

Analysis And Results

As a result of intensive reforms in the field of tourism in our country, the introduction of visa-free regime for citizens of 86 countries and a simplified visa regime for citizens of 57 countries, last year 6.7 million foreign tourists visited our country. This is 4.7 million people or 3.3 times more than in 2016.[2]

Today, as the modern tourism industry is one of the most profitable and dynamic sectors of the world economy, many enterprises are being created in the regions, which play an important role in the regional economy. The World Tourism Organization (UNWTO) recommends the following types of travel by purpose:[3]

- 1) visiting religious shrines;
- 2) rest and leisure;
- 3) treatment and rehabilitation;
- 4) meeting with relatives and acquaintances;
- 5) business and professional goals (participation in business meetings, conferences, congresses, etc.);
- 6) other tourist destinations.

The innovative potential of any industrial enterprise depends on the specifics and scope of its activities, and the degree of use of the potential determines the innovative capabilities and susceptibility of the enterprise to innovations [4].

Fighting the crisis forces us to look for new, non-standard technologies for survival in the economy, the same innovations that were discussed a lot before the crisis. The most interesting solutions are usually located between disciplines, between traditional niches of activity, and at first glance seem ridiculous. It is considered that it is impossible, for example, for a city to develop industry and tourism equally. These are incompatible areas that interfere with each other. But the unpredictable development of a rapidly changing world proves that breakthroughs in development should be sought precisely in combining the incompatible. One of the clearest proofs is the boom of industrial tourism in Western Europe that started 15 years ago.

Industrial tourism is a powerful marketing tool that allows you to increase the company's credibility, brand awareness and consumer loyalty to them [5].

The development of industrial tourism can be a real discovery to promote the interests of the enterprise to attract investors, tourists or potential residents.

The organization of tourist excursions to existing production facilities can be an unexpected help in the development of industrial enterprises. This is an excellent marketing tool: everyone wins except the competition.

The generalized tasks for the successful development of tourism in some regions with the necessary tourist potential can be formulated as follows:

- start with small and quick steps that do not require large amounts of money;
- Involvement of all participants, especially small businesses in the development of tourism and coordination of the process by the local administration;
- tourist offers are aimed at residents of nearby major cities, especially tourists who come for a day or a short vacation;
- Cooperation with tourism companies in advertising.

When implementing systemic measures to develop tourism, the following should be taken into account:

- 1) development of tourism enterprises,
- 2) to create new jobs,
- 3) increase the tax potential of the region,

The first reflects the spatial distribution of recreational resources, the amount of recreational needs of the local population and the level of satisfaction in a particular area, as well as the possibility of attracting external tourist flows to that area.[6]

Paying attention to the above will create new economic impulses in the development of the regions. In addition, tourism will improve the region's image as an economically developed region. The work carried out in this direction will soon show its results. If enough attention is paid to the development of tourism in the regions, the success of local governments will be ensured, and this will significantly contribute to the development of the local economy.

Tourism is only one segment of economic development, but if certain conditions are met, it can become the main and most profitable direction of the economy of a country or region.

Examining the indicative role of tourism as an indicator of coordination of government agencies and business activities, it is concluded that tourism, its infrastructure and the level of tourism development in the region can radically improve the relationship between local government and small and medium businesses. The main reason for zoning in terms of tourism is the need for socio-cultural development of a particular region. The choice of the exact direction of its development depends on the potential of the region and the characteristics of the socio-cultural service. It can be industrial development, recreation or any other. Depending on the choice made, the process of recreation, industry or other regional formation begins.[7]

Modern tourists are "collectors of places". They, victims of global acceleration, are no longer fully satisfied with the standard tourist assortment – sea beaches and art galleries. They are increasingly seeking complex experiences: combine recreation with educational goals, health improvement-with excursions, attending a business conference - with sports activities and

sightseeing. An excursion to the enterprise is a window to a new world. A familiar city opens from an unusual side. Products that are produced online, as they are called, can immediately be touched (and in some cases made by yourself), tried on, tried on, and bought. Industrial tourism is especially popular among those traveling with children. They are interested in what happened to ice cream and chocolate bars before they got to the supermarket [6].

Manufacturers are also interested. To let the consumer into your production is a very beautiful advertising move. A few hours of sophisticated advertising, which the tourist consumes willingly, and sometimes even pays for it. In addition, opening up to the consumer is a demonstration of honesty and transparency of management, impeccable technologies, and confidence in their prospects in the face of (sometimes literally) competitors.

There is another important side effect. Turning production into a tourist destination encourages the company to improve the corporate climate and labor relations. The cleaning of workshops, clean working uniforms, presentable equipment, and many other things that the average Manager did not see sense in before become meaningful. And workers' motivation changes when they are viewed as Museum treasures. So, the company gets customer loyalty and effective brand support. And the turnover of souvenir shops located at the points where excursions end is 30% higher than at other points with similar products.

The city's budget also benefits from stimulating sales of city goods and services. But in addition, cities are acquiring new brands, new unexpected and attractive elements of the image, as well as a greater number of tourists – these "walking money" of our time. Only cities have infrastructure for industrial tourism – transport, communications, trade, hotels, cafes. In addition, excursions to existing enterprises are usually an additional "load" to other tourist magnets, which are concentrated again in cities. Moreover, objects that are brands of specific cities are most popular among tourists.

What is necessary for the organization of industrial tourism? As the practice of other countries shows, the financial costs of organizing tourist routes for operating enterprises are relatively small. Working with old, abandoned sites is another matter. We need a special investment project to turn them into a spectacular national heritage. But in both cases, we need a resource that is still in great deficit in the Republic of Uzbekistan. This is the ability of various interests to cooperate in a single project [8]. The first step in industrial tourism is cooperation between the city and regional authorities, the local business elite, local experts in local history and tourism companies. This is the ideal field for public-private partnership, which we also talk a lot about.

CONCLUSION

In conclusion, tourism requires, first of all, the involvement of all interested organizations and private entrepreneurs to solve the general problem of improving the tourism infrastructure. In addition, significant coordination efforts by local authorities will be required. In this regard, tourism provides an effective impetus to the development of regional economies and the active support of small and medium-sized businesses in general.

Thus, tourism resources and infrastructure are important components that contribute to the development of tourism activities in industrial areas. Taking into account the conditions of the industrial region, as well as the factors of the development of the tourist structure and the characteristics of individual regions of the Republic of Uzbekistan, the prerequisites for turning

these areas into leading centers of industrial tourism are created, which will affect the development of tourism in Uzbekistan as a whole.

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A STUDY ON COMPARISON OF MUTUAL FUNDS WITH REFERENCE TO ANAND RATHI SHARES & STOCK BROKING LTD. ANANTAPURAMU DISTRICT

Dr. S.Subbarayudu*; **P.Naveena****

*Post Doctoral Fellowship,
Department of Economics, S.K. University,
Anantapuramu, (Dist) Andhrapradesh,(State) INDIA
Email id:sankarassr@gmail.com

** III BBA in SR Degree College,
Pamidi,(Mandal), Anantapuramu, (Dist)
Andhra pradesh, (State) INDIA
Email id:pnaveena@917gmail.com

ABSTRACT

“A Mutual fund is an investment that pools yours money with the money of an unlimited number of other investors. In return, you and the other investors each own shares of the fund.” Many nationalized banks got into the mutual fund business in the early nineties and got off to a good start due to the stock market boom prevailing then. The money thus collected is investors by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. In fact, they have forced the industry to upgrade itself and service levels of organizations like UTI have improved dramatically in the last few years in response to the competition provided by these. So many potential investors in India mutual funds can go a long way in getting established, plus with added set of alternatives within the mutual funds schemes each has a scheme ready for the specific needs.

KEYWORDS: *Alternatives, Nationalized, Established*

INTRODUCTION

A Mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is investors by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the

capital appreciation realized by the scheme is shared by its unit holders in proportion to the number of units owned by them.

Thus a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in Mutual Funds.

Each Mutual Funds schemes has a defined investment objective and strategy financial scenario. Markets for equity shares, bonds and other fixed income instruments, real estate, derivatives and other assets have become mature and information driven. Price changes in these assets are driven by global events occurring in faraway places. A typical individual is unlikely to have the knowledge, skills, inclination and time to keep track of events, understand their implications and act speedily. An individual also finds it difficult to keep track of ownership of his assets, investments, brokerage dues and bank transactions etc.

Draft offer document is to be prepared at the time of launching the fund. Typically, it specifies the investment objectives of the fund, the risk associated, the costs involved in the process and the broad rules for entry into and exit from the fund and other areas of operation. In India, as in most countries, These sponsors need approval from a regulator, SEBI (Securities Exchange Board of India) in our case. SEBI looks at track records of the sponsor and its financial strength in granting approval to the fund for commencing operations.

A sponsor then hires an asset management company to invest the funds according to the investment objective. It also hires another entity to be the funds custodian of the assets of the fund and perhaps a third one to handle registry work for the unit holders of the fund.

In the Indian context, the sponsors promote the asset management company also, in which it holds a majority stake. In many cases a sponsor can hold a 100 % stake in the Asset Management Company (AMC) . E.g. Birla Global Finance is the sponsor for the Birla Sun Life Asset Management Company Ltd., which has floated different mutual funds schemes and also acts as an asset manager for the funds collected under the schemes.

DEFINITION:

“A Mutual fund is an investment that pools your money with the money of an unlimited number of other investors. In return, you and the other investors each own shares of the fund.”

Advantages of Mutual funds

1. Advanced Portfolio Management:

When you buy a mutual fund, you pay a management fee as a part of your expense ratio, which is used to hire a professional portfolio manager who buys and sells stocks, bonds, etc. this is a relatively small price to pay for getting professional help in the management of an investment portfolio.

2. Dividend Reinvestment:

As dividends and other interest income sources are declared for the fund, it can be used to purchase additional shares in the mutual fund, Therefore helping your investment grow.

3. Risk Reduction:

Reduced portfolio risk achieved through the used of diversification, as most mutual funds will invest in anywhere from 50 to 200 different securities -depending on the focus. Numerous stock index mutual funds own 1,000 or more individual stock positions.

4. Convenience and Fair Pricing:

mutual funds are easy to buy and easy to understand. They typically have low minimum investments and they are traded only once per day at the closing net asset value. This eliminates price fluctuation thought that day and various arbitrage opportunities that day traders practice.

5. Flexibility:

Through features such as regular investment plans, regular withdrawal plans and dividend investment plans, you can systematically invest funds according to your needs convenience.

Types of Mutual Funds**A. Structure:****1. Open-ended Funds:**

An open-end fund is one that is available for subscription all through the year. These do not have a fixed maturity. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices. The key features of open –end schemes is liquidity.

2. Interval Funds:

Interval Funds combine the features of open-ended and close ended schemes. They are open for sale or redemption during pre-determined intervals at NAV related prices.

B. Investment Objectives:**1. Growth Funds:**

The aim of growth funds is to provide capital appreciation over the medium to long term. Such schemes normally invest a majority of their corpus in equities. It has been proven that returns from stocks, have outperformed most other kind of investments held over the long term. Growth schemes are ideal for investors having a long-term outlook seeking growth over a period of time.

2. Income fund:

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures and Government securities. Income funds are ideal for capital stability and regular income.

3. Load Funds:

A Load Fund is one that changes a commission for entry or exit. That is each time you buy or sell units in the fund, a commission will be payable. Typically entry and exit loads range from 1 percent to 2 percent. It could be worth paying the load, if the fund has a good performance history.

C. Other Saving Schemes:**1. Tax Saving Schemes:**

These schemes offer tax rebates to the investors under specific provisions of the Indian Income Tax laws as the Government offers tax incentives for investment in specified avenues. Investments made in Equity Linked Savings Schemes (ELSS) and pension schemes as allowed as deduction u/s 88 of the Income Tax Act, 1961.

D. Special Schemes:**1. Industry Specific Schemes:**

Industry Specific Schemes invest only in the industries specified in the offer document. The investment of these funds is limited to specific industries like InfoTech, FMCG, and Pharmaceuticals etc.

2. Index Schemes:

Index funds attempt to replicate the performance of a particular index such as the BSE, SENSEX or the NSE 50.

Recent Trends in Mutual Fund Industry:

The most important trend in the mutual fund industry is the aggressive expansion of the foreign owned mutual fund companies and the decline of the companies floated by nationalized banks and smaller private sector players. Many nationalized banks got into the mutual fund business in the early nineties and got off to a good start due to the stock market boom prevailing then. These banks did not really understand the mutual fund business and they just viewed it as another kind of banking activity.

Few hired specialized staff and generally chose to transfer staff from the parent organizations. The performance of most of the schemes floated by these funds was not good. Some schemes had offered guaranteed returns and their parent organizations had to bail out these AMC'S by paying large amounts of money as the difference between the guaranteed and actual returns. The service levels were also very bad.

Most of these AMC have not been able to retain staff, float new schemes etc. and it is doubtful whether, barring a few exceptions they have serious plans of continuing the activity in a major way. The experience of some of the AMC floated by private sector Indian companies was also very similar. They quickly realized that the AMC business is a business, which makes money in the long term and require deep pocketed support in the intermediate years.

Some have sold out to foreign owned companies some have merged with others and there is general restructuring going on. The foreign owned companies have deep pockets and have come in here with the expectation of a long haul. They can be credited with introducing many new practices such as new product Innovation, sharp improvement in service standards and disclosure, usage of technology, broker education and support etc. In fact, they have forced the industry to upgrade itself and service levels of organizations like UTI have improved dramatically in the last few years in response to the competition provided by these.

Objectives of the Study

- To evaluate investment performance of selected mutual funds in terms of risk and return.

- To analyze the performance of mutual fund schemes on the basis of various parameters.
- Primarily to understand the basic concepts of mutual fund and its benefits as an investment avenue.
- To compare and evaluate the performance of different schemes of mutual funds companies on the basis of risk, return and volatility.

Need of the Study:

Mutual fund is an investment that pool of money from shareholders and invest in a variety of securities, such as stocks, bonds and money market instrument. The need of the study is to know about mutual fund and its functioning. This help to know in details about mutual fund industry right from its inception stage, growth and future prospects. It also helps in understanding different schemes like equity, income, balance as well as the returns associated with those schemes.

Scope of the Study:

The schemes were categorized and selected on evaluating their performance and relative risk. The scope of study is mainly concentrated on the different categories of the mutual funds such as equity schemes, debt funds, balanced funds and liquid fund.

RESEARCH METHODOLOGY:

Research is a systematic gathering, recording, analyzing and interpretation of the data about a particular area in industries or any where to find solutions to different kinds of decision making problems.

Source of the Data:

The data can be collected in two ways for any research. Those ways are

Primary Data:

The data, which has been collected for the first time and it is the original data. In this study the primary data has been taken from ANANDRATHI staff and guide of the study.

Secondary Data:

Secondary Data is defined as existed data. Secondary Data is collected from already available sources such as published Papers, Journals, Magazines, Reports, Company Literature etc.

Tools used in this Study:

- Mean
- Standard Deviation
- Sharp Ratio
- Beta Value

Anand Rathi Group:

Anandrathi is one of India's leading financial services firm offering wealth management, investment banking, corporate finance & Advisory, Brokerage & distribution services in the area

of equities, commodities, mutual funds, structured products, insurance, corporate deposits, bonds & loans to institutions, corporations,

high-net worth individuals and families.

The firm has a vast footprint across India and also in select international locations such as Dubai, with presence across 1200 locations through its own branches, sub-brokers, and remises and representatives' offices/associate companies. The group today employs over 2500 professionals.

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The Anand Rathi Group is member of the Bombay Stock Exchange (BSE), National Stock Exchange (NSE), Multi-Commodity Exchange (MCH), National Commodity Exchange (NCE), United Stock Exchange (USE), Central Depository Services Ltd (CDSL) and National Securities Depository Ltd (NSDL).

Vision:

“To be a shining example as a Leader in Innovation and the first choice for clients and employees.”

Careers:

Friendly open and encouraging are a few adjectives that can close to describe work culture at Anand Rathi. We believe in the abilities and skills of our employees to transform challenges into success as a reason they are provided with tasks which help them in enhancing their learning curve there by pursuing a successful career ahead as a professional.

Every employee is unique and has a sense of achievement and hence we try to provide each of them with access to the domain of their interest. We constantly strive to create an environment which has a work balance approach where in one can accelerate professionally as well as nurture personal well being. Performance and excellence are not only appreciated, but recognized and rewarded to ensure encouragement and confidence.

Data Analysis and Interpretation:

HDFC EQUITY FUND:

S.NO	Fund Name	Date	NAV	X-X bar	(X-X bar) ²
1	Equity Fund	30/06/2015	252	-137.6	18933.76
2	Equity Fund	31/12/2015	291	-98.6	9721.96
3	Equity Fund	30/06/2016	266	-123.6	15276.96
4	Equity Fund	31/12/2016	302	-87.6	7673.76
5	Equity Fund	30/06/2017	431	41.4	1713.96
6	Equity Fund	31/12/2017	497	107.4	11534.76
7	Equity Fund	30/06/2018	468	78.4	6146.56
8	Equity Fund	31/12/2018	446	56.4	3180.96
9	Equity Fund	30/06/2019	455	65.4	4277.16
10	Equity Fund	31/12/2019	488	-98.4	9682.56
			3896		88142.4

$$\text{Mean}(x) = \sum x/n$$

$$\text{Mean} = 3896/10 = 389.6$$

$$\text{Standard Deviation} = \sqrt{\sum (X-X)/n}$$

$$\text{STDV} = 88142.4/10 = \sqrt{8814.24} = 93.8$$

CALCULATION OF BETA VALUE:

S.N O	Fund Name	Date	NAV(x)	R R=(P1- P0/P0)*100	r r = (R-R)R = 7.716	r2	Index	M M	M m=(M- M)/M=6.33	rm Rm	r2m r2m
1	Equity Fund	30/06/20 15	252	0	0	0	18875.95	0	0	0	0
2	Equity Fund	31/12/20 15	291	15.47	7.754	60.12	21143.01	12.01	5.68	44.04	722.05
3	Equity Fund	30/06/20 16	266	-8.59	16.306	265.88	25413.78	20.19	13.86	-226.15	-3687.59
4	Equity Fund	31/12/20 16	302	13.53	5.814	33.800	27499.42	8.20	1.87	10.91	63.43
5	Equity Fund	30/06/20 17	431	42.71	34.994	1224.5 8	27645.15	0.52	-5.80	-202.96	-7102.68
6	Equity Fund	31/12/20 17	497	15.31	7.594	57.66	26117.54	-5.52	-11.85	-90.03	-68.59
7	Equity Fund	30/06/20 18	468	-5.83	13.546	183.48	26740.39	2.38	-3.94	53.44	723.92
8	Equity Fund	31/12/20 18	446	-4.70	12.416	154.15	26366.15	-1.39	-7.72	95.96	1191.5
9	Equity Fund	30/06/20 19	455	2.01	-5.706	-32.55	30857.52	17.03	10.70	-6.10	-348.43
10	Equity Fund	31/12/20 19	488	7.25	0.466	-0.21	33911.81	9.89	3.56	-1.66	-0.74
			3896	77.16	7.716			63.33	6.36	322.55	-9122.13

CALCULATION OF BETA VALUE:

$$N = 10$$

$$\sum rm = -322.55$$

$$\sum r = 7.716$$

$$\sum m = 6.3684$$

$$\sum r^2 m = -9122.13$$

$$\beta = ((N \cdot \sum r m) - (\sum r \cdot \sum m)) / (N \sum r^2 m - \sum m)$$

$$10 \times 322.55 - 7.716 \times 6.3684 / 10 \times -9122.13 - 6.3684$$

$$-3225.5 - 49.1385 / -91221.3 - 6.3684 = -3274.64 / -91227.67 = 0.0359$$

Sharp Ratio

R_p = Expected portfolio return

R_f = Risk Free rate

P = Portfolio Standard deviation

$$= (r_p - r_f) / SD$$

$$= 389.6 / 93.88 = 4.14$$

SBI EQUITY FUND:

S.NO	Fund Name	Date	NAV (X)	X-X bar	(X-X bar) ²
1	Equity Fund	30/06/2015	41.2	21.1	445.21
2	Equity Fund	31/12/2015	48.6	13.7	187.69
3	Equity Fund	30/06/2016	46.5	15.8	249.64
4	Equity Fund	31/12/2016	50	12.3	151.29
5	Equity Fund	30/06/2017	62	0.3	0.09
6	Equity Fund	31/12/2017	76	-13.7	187.69
7	Equity Fund	30/06/2018	75.6	-13.3	176.89
8	Equity Fund	31/12/2018	65.2	-2.9	8.41
9	Equity Fund	30/06/2019	76.4	-14.1	198.81
10	Equity Fund	31/12/2019	81.8	-19.5	380.25
			623.3		1985.97

$$\text{Mean}(x) = \sum x/n$$

$$\text{Mean} = 623.3/10 = 62.33$$

$$\text{Standard Deviation} = \sqrt{\sum (X-X)/n}$$

$$\text{STDV} = 1985.97/10 = \sqrt{198.60} = 14.09$$

CALCULATION OF BETA VALUE:

S.NO	Fund Name	Date	NAV(x)	R	r	r ²	Index	M	M	rm	r ² m
				R=(P1-P0/P0)*100	r = (R-R)/R =			M	M	m=(M-M)/M=6.3	
1	Equity Fund	30/06/2015	41.2	0	0	0	18875.95	0	0	0	0
2	Equity Fund	31/12/2015	48.6	17.96	10.19	103.83	21143.01	12.01	5.68	57.88	589.78

3	Equity Fund	30/06/2016	46.5	-4.32	-12.08	-145.92	25413.78	20.19	13.86	-	-2023.8
4	Equity Fund	31/12/2016	50	7.53	-0.23	-0.052	27499.42	8.20	1.87	-0.43	-0.09
5	Equity Fund	30/06/2017	62	24	16.23	263.41	27645.15	0.52	-5.80	-94.13	-1527.8
6	Equity Fund	31/12/2017	76	22.58	14.81	219.33	26117.54	-5.52	-11.85	-	-2600.3
7	Equity Fund	30/06/2018	75.6	-0.53	-8.29	-68.72	26740.39	2.38	-3.94	32.70	271.12
8	Equity Fund	31/12/2018	65.2	-13.8	-21.56	-464.83	26366.15	-1.39	-7.72	166.64	3592.90
9	Equity Fund	30/06/2019	76.4	17.18	9.41	88.54	30857.52	17.03	10.70	100.73	947.78
10	Equity Fund	31/12/2019	81.8	7.07	-0.69	-0.47	33911.81	9.89	3.56	-2.46	-1.67
			623.3	77.665	7.79			63.33	6.36	-82.18	-752.11

CALCULATION OF BETA VALUE:

N = 10

 $\sum rm = -82.18$ $\sum r = 7.79$ $\sum m = 6.36$ $\sum r^2 m = -752.11$ $\beta = ((N * \sum rm) - (\sum r * \sum m)) / (N \sum r^2 m - \sum m)$ $10 \times -82.18 - 7.79 \times 6.36 / 10 \times -752.11 - 6.36$ $= 821.8 - 49.5444 / 7521.1 - 6.36$ $= 772.2556 / 7514.74 = 0.10$ **Sharp Ratio**

Rp = Expected portfolio return

Rf = Risk Free rate

P = Portfolio Standard deviation

 $= (rp - rf) / SD$ $= 62.33 / 14.09 = 4.15$ **CANARA EQUITY FUND:**

S.NO	Fund Name	Date	NAV (X)	X-X bar	(X-X bar) ²
1	Equity Fund	30/06/2015	11.37	5.5	30.25
2	Equity Fund	31/12/2015	12.54	4.33	18.74
3	Equity Fund	30/06/2016	15.34	1.53	2.34
4	Equity Fund	31/12/2016	17.04	-0.17	0.02
5	Equity Fund	30/06/2017	17.48	-0.61	0.37
6	Equity Fund	31/12/2017	16.96	-0.09	0.008
7	Equity Fund	30/06/2018	17.46	-0.59	0.34
8	Equity Fund	31/12/2018	17.12	-0.25	0.06
9	Equity Fund	30/06/2019	20.63	-3.76	14.13
10	Equity Fund	31/12/2019	22.76	-5.89	34.69

			168.7		100.95
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$$\text{Mean}(x) = \sum x/n$$

$$\text{Mean} = 168.7 / 10 = 16.87$$

$$\text{Standard Deviation} = \sqrt{\sum (X-X)/n}$$

$$\text{STDV} = 100.95/10 = \sqrt{10.06} = 3.18$$

CALCULATION OF BETA VALUE:

				R	r	r ²		M	M	rm	r ² m
S.N O	Fund Name	Date	NAV(x)	R=(P1- P0/P0)*100	r = (R-R)R = 7.51		Index	M	m=(M- M)M=6.3	Rm	r ² m
1	Equit y Fund	30/06/201 5	11.37	0	0	0	18875.95	0.	0	0	0
2	Equit y Fund	31/12/201 5	12.54	10.29	2.77	7.67	21143.01	12.01	5.68	15.73	43.56
3	Equit y Fund	30/06/201 6	15.34	22.32	14.80	219.04	25413.78	20.19	13.86	205.26	3037.95
4	Equit y Fund	31/12/201 6	17.04	11.08	3.56	12.67	27499.42	8.20	1.87	6.68	23.77
5	Equit y Fund	30/06/201 7	17.48	2.58	-4.93	24.30	27645.15	0.52	-5.80	28.59	-140.94
6	Equit y Fund	31/12/201 7	16.96	-2.97	-10.48	109.83	26117.54	-5.52	-11.85	124.24	1302.11
7	Equit y Fund	30/06/201 8	17.46	2.94	-4.57	20.88	26740.39	2.38	-3.94	18.03	-82.37
8	Equit y Fund	31/12/201 8	17.12	-1.94	-9.45	89.3 0	26366 .15	-1.39	-7.72	73.04	690.24
9	Equit y Fund	30/06/201 9	20.63	20.50	12.98	168.48	30857.52	17.03	10.70	138.94	1803.51
10	Equit y Fund	31/12/201 9	22.76	10.32	2.80	7.84	33911.81	9.89	3.56	9.99	27.97
			168.7	75.12	7.48			63.33	6.36	620.5	2721.1

CALCULATION OF BETA VALUE:

$$N = 10$$

$$\sum r_m = 620.5$$

$$\sum r = 7.48$$

$$\sum m = 6.36$$

$$\sum r^2 m = 2721.1$$

$$\beta = ((N \cdot \sum r_m) - (\sum r \cdot \sum m)) / (N \sum r^2 m - \sum m)$$

$$= 10 \times 620.5 - 7.48 \times 6.36 / 10 \times 2721.1 - 6.36$$

$$= 6205 - 47.57 / 27211 - 6.36$$

$$= 6157.43 / 27204.64 = 0.23$$

Sharp Ratio

R_p = Expected portfolio return

R_f = Risk Free rate

P = Portfolio Standard deviation

$$= (r_p - r_f) / SD$$

$$= 16.87 / 3.18 = 5.30$$

KOTAK EQUITY FUND:

S.NO	Fund Name	Date	NAV (X)	X-X bar	(X-X bar) ²
1	Equity Fund	30/06/2015	105.85	63.57	4042.03
2	Equity Fund	31/12/2015	115.67	53.75	2889.81
3	Equity Fund	30/06/2016	143.12	26.30	692.05
4	Equity Fund	31/12/2016	164.6	4.82	23.29
5	Equity Fund	30/06/2017	175.58	-6.15	37.85
6	Equity Fund	31/12/2017	174.15	-4.72	22.30
7	Equity Fund	30/06/2018	183.72	-14.29	204.28
8	Equity Fund	31/12/2018	179.62	-10.19	103.89
9	Equity Fund	30/06/2019	213.66	-44.23	1956.55
10	Equity Fund	31/12/2019	238.30	-68.87	4743.49
			1694.27		14715.54

$$\text{Mean}(x) = \sum x / n$$

$$\text{Mean} = 1694.27 / 10 = 169.43$$

$$\text{Standard Deviation} = \sqrt{\sum (X - X) / n}$$

$$\text{STDV} = 14715.54 / 10 = \sqrt{1471.55} = 38.36$$

CALCULATION OF BETA VALUE:

S.NO	Fund Name	Date	NAV(x)	R R=(P1-P0/P0)*100	r r = (R-R)R = 8.76	r2	Index	M M	M m=(M-M)M=6.3	rm Rm	r2m r2m
1	Equity Fund	30/06/2015	105.85	0	0	0	18876	0	0	0	0
2	Equity Fund	31/12/2015	115.67	9.27	0.512	0.26	2143	12.01	5.68	2.89	1.47
3	Equity Fund	30/06/2016	143.12	23.73	14.97	224.1	25413.8	20.19	13.86	207.62	3108.1
4	Equity Fund	31/12/2016	164.6	15	6.24	38.93	27499.4	8.2	1.87	11.71	73.05
5	Equity Fund	30/06/2017	175.58	6.67	-2.09	4.36	27645.2	0.52	-5.08	12.12	-25.28
6	Equity Fund	31/12/2017	174.15	-0.81	-9.57	91.58	26117.5	-5.52	-11.85	113.45	-1085.7
7	Equity Fund	30/06/2018	183.72	5.49	-3.27	10.69	26740.4	2.38	-3.94	12.9	-42.17
8	Equity Fund	31/12/2018	179.62	-2.23	-10.99	120.78	26366.2	-1.39	-7.72	84.94	-933.56
9	Equity Fund	30/06/2019	213.66	18.95112	10.1912	103.85	30857.5	17.03	10.7	109.05	1111.2
10	Equity Fund	31/12/2019	283.3	11.53234	2.772341	7.69	33911.8	9.89	3.56	9.87	37.3526
			1694.27	87.60	8.76			63.33	6.36	564.54	2234.52

CALCULATION OF BETA VALUE:

$$N = 10$$

$$\sum rm = 564.58$$

$$\sum r = 8.76$$

$$\sum m = 6.36$$

$$\sum r2m = 2234.71$$

$$\beta = \frac{((N \cdot \sum r_m) - (\sum r \cdot \sum m))}{(N \sum r^2 m - \sum m^2)}$$

$$10 \times 564.58 - 8.76 \times 6.36 / 10 \times 2234.71 - 63.36$$

$$= 5645.8 - 55.71 / 22347.1 - 6.36$$

$$= 5590.09 / 22340.74 = 0.25$$

Sharp Ratio

Rp = Expected portfolio return

Rf = Risk Free rate

P = Portfolio Standard deviation

$$= (r_p - r_f) / SD$$

$$= 169.43 / 38.36 = 4.41$$

ICICI EQUITY FUND:

S.NO	Fund Name	Date	NAV (X)	X-X bar	(X-X bar) ²
1	Equity Fund	30/06/2015	142.81	93.39	8721.69
2	Equity Fund	31/12/2015	170.43	65.77	4325.69
3	Equity Fund	30/06/2016	215.78	20.42	416.97
4	Equity Fund	31/12/2016	235.69	0.51	0.26
5	Equity Fund	30/06/2017	231.79	4.41	19.44
6	Equity Fund	31/12/2017	234.18	2.02	4.08
7	Equity Fund	30/06/2018	245.2	-8.99	80.82
8	Equity Fund	31/12/2018	253.64	17.43	303.97
9	Equity Fund	30/06/2019	296.61	60.36	3643.32
10	Equity Fund	31/12/2019	335.92	99.71	9943.08
			2362.05		27459.32

$$\text{Mean}(x) = \sum x/n$$

$$\text{Mean} = 2362.05/10 = 236.01$$

$$\text{Standard Deviation} = \sqrt{\sum (X-X)/n}$$

$$\text{STDV} = 27459.32/10 = \sqrt{2745.93} = 52.40$$

CALCULATION OF BETA VALUE:

S.N	Fund Name	Date	NAV(x)	R	r	r ²	Index	M	M	r _m	r _{2m}
O				R=(P1-P0/P0)*100	r = (R-R)R = 9.28			M	m=(M-M)M=6.3	R _m	r _{2m}
1	Equity Fund	30/06/2015	142.881	0	0	0	18875.95	0	0	0	0
2	Equity Fund	31/12/2015	170.43	19.34	10.05	101	21143.01	12.01	4.68	57.08	573.71
3	Equity Fund	30/06/2016	215.78	26.60	17.31	299.63	25413.78	20.19	13.86	240.07	4155.68

	y Fund	16									
4	Equity Fund	31/12/2016	235.69	9.22	-0.06	0.003	27499.42	8.20	1.87	-0.11	0.0056
5	Equity Fund	30/06/2017	231.79	-1.65	10.93	119.46	27645.15	0.42	-5.80	63.39	692.87
6	Equity Fund	31/12/2017	234.18	1.03	-8.25	68.06	26117.54	-5.52	-11.85	97.80	806.89
7	Equity Fund	30/06/2018	245.2	4.70	-4.58	20.97	26740.39	2.38	-3.94	18.06	-82.873
8	Equity Fund	31/12/2018	253.64	3.44	-5.84	34.10	26366.15	-1.39	-7.72	45.14	263.57
9	Equity Fund	30/06/2019	296.61	16.94	7.65	58.52	30857.52	17.03	10.70	81.89	626.43
10	Equity Fund	31/12/2019	335.92	13.25	3.96	15.68	33911.81	9.89	3.56	14.12	55.94
			2362.05	87.69	8.769			63.33	6.36	617.44	3565.70

CALCULATION OF BETA VALUE:

N = 10

$\sum r_m = 617.44$

$\sum r = 9.28$

$\sum m = 6.36$

$\sum r^2 m = 3565.70$

$\beta = ((N * \sum r_m) - (\sum r * \sum m)) / (N \sum r^2 m - \sum m)$

$10 * 617.44 - 9.28 * 6.36 / 10 * 3565.70 - 6.36$

$= 6174.4 - 59.02 / 35657 - 6.36$

$= 6115.38 / 35650.64 = 0.17$

Sharp Ratio

Rp = Expected portfolio return

Rf = Risk Free rate

P = Portfolio Standard deviation

$= (r_p - r_f) / SD$

$= 236.01 / 52.40 = 4.50$

S.NO	NAV Growth for Period from 2013-2017			β-VALUE	SHARPRATIO
	FUND	MEAN	STDV		
1	SBI	62.33	14.09	0.1157	4.1493
2	HDFC	389.6	93.8841	0.0359	4.4209

3	CANARA	16.87	3.177	0.2263	5.2974
4	KOTAK	169.42	38.3608	0.2498	4.4146
5	ICICI	236.2	52.4016	0.1714	4.5068

FINDINGS

Mean

- ❖ From the interpretation table average of HDFC Mutual Funds from 2013- 2017 is more i.e. 389.6. Then compare to SBI Mutual Funds, CANARA BANK Mutual Funds, KOTAK MAHINDRA Mutual Funds and ICICI Mutual Funds also less average return is given by CANARA BANK i.e. 16.8

STANDARD DEVIATION

- Here Standard Deviation has been evaluating the exact mean of the returns.
- Highest Standard Deviation is 93.8841 (HDFC BANK) and less Standard Deviation is 3.177 (CANARA BANK). Then CANARA BANK having has shown more volatility in its growth. CANARA BANK β - Value:
- The NAV (Net Asset Value) of all mutual funds are fluctuated to based on or compared to BSE INDEX value. Based on Index Value of mutual funds, the investors may invest their investments.
- From my study report SHARP RATIO is used to estimate the exact return values of mutual funds.
- We can see CANARA BANK growth has been performed well when we compared to others mutual funds.
- The highest expected return is 5.2974i.e. CANARA BANK.

SUGGESTIONS

- I suggest investors to invest in banking sectors rather than investing in any other private limited companies. Because of the public banks gives an minimum 4 percent of interest rate.
- Banking sectors provide good service if we see through customer point of view.
- They provide mostly open ended schemes for investors for the purpose of free entry and exit policies.
- The liquidity position also available in mutual funds.
- With the increase in technology, introduction of new schemes and services, online trading it's clear that anyone wants to invest will surely invest mutual funds.

CONCLUSION:

Mutual funds certainly are not the safest, but they are relatively safer than the direct involvement in the equity market, given that fact majority of the investors are not informed the way the market move. So many potential investors in India mutual funds can go a long way in getting established, plus with added set of alternatives within the mutual funds schemes each has a scheme ready for the specific needs.

Investors should study through the details and exercise caution while investing in mutual funds. These investments should be further reviewed periodically to avoid losses and make maximum

returns. By the comparing above mentioned schemes I come to know the risk and return relation between the specified schemes. Therefore before investing in my mutual fund schemes they should study the risk and return relation. And if the risk and return has been matched with their planning, then only the investors should go for mutual fund schemes.

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THE IMPORTANCE OF A FAVORABLE INVESTMENT CLIMATE FOR THE CONSISTENT IMPLEMENTATION OF STRUCTURAL CHANGES IN THE REGIONAL ECONOMY

Abdurahmanov* ; Madaminjonov O.R**

*M.A. Associate Professor,
Namangan Engineering- Technological Institute,
UZBEKISTAN

Email id: abduraxmanovmuhtorali1968@gmail.com

*Student,
Namangan Engineering Technological Institute
Email id: oxunpopsang95@gmail.com

ABSTRACT

It is required that investment processes should be aimed at enhancing the competitiveness of the region's economy and increasing the productivity of certain enterprises. Because of the continuing impact of the global financial crisis, the region needs to ensure high GDP growth and other economic indicators, mainly due to significant structural changes and improved production efficiency. The research shows that there is a high rate of expansion in the regions as well. This, in turn, indicates the development of the bases of development processes in the regions. The processes taking place in the region are an integral part of the regional processes.

KEYWORDS: *Modernization, Investment Process, Territory, Sector Specificity, Investment Climate, Labor Force, Employment, Foreign Capital, Economic Potential, Investment Attractiveness, Construction Industry, Urbanization, Regional Construction Complex, State Program.*

INTRODUCTION

It is known that modernization of the economy relies primarily on investment processes and requires large investment resources. In this regard, Uzbekistan pays special attention to the efficient and harmonious use of internal and external sources of investment financing, as well as comprehensive support for investment activities of business entities and entrepreneurs. Implementation of significant measures to expand real investment in various sectors of the economy in all regions of the country has been yielding positive results.

Local investment processes should be aimed at improving the competitiveness of the region's economy and improving the efficiency of production at specific enterprises [6]. Because of the continuing impact of the global financial crisis, the region needs to ensure high GDP growth and other economic indicators, mainly due to significant structural changes and improved production efficiency. In this context, the economic strategy in the region involves not only the long-term objectives but also the means and ways to achieve those goals. Among them is the transfer of production on the basis of modern technologies and the continuous improvement of its efficiency. It should be noted that during the economic modernization, structural changes are also accelerating, which requires a new approach to investment activity. This approach is based on the following rules:

- activation of the investment process, directing investment resources to the priority areas of economic development;
- full involvement of enterprises, organizations and population in the investment process and their use to maintain the accelerated economic and social development of the country;
- more favorable investment climate for foreign capital inflow.

RESEARCH METHODOLOGY: In this article induction, deduction, analogy, comparative, economic analysis, observation, comparison research methods are used.

Analysis and results

It is well known that attracting and financing investments is a complex process. Therefore, the financial system plays an important role in implementing the investment process [5]. The financial system is the main set of services in the modern market economy. Financial stability of the banking system will be particularly important. At present, the financial and credit system in our country is emerging as the main and stable means of working with entrepreneurs. Further strengthening of this system will play an important role in facilitating rapid development of production modernization. On the other hand, the rapid conversion of financial assets through the banking system and the distribution of risks through the insurance system will help maintain and increase the amount of financial savings. With the development of the financial market and the use of financial instruments, economic entities will be able to take risks and accumulate savings. Thus, the development of a stable and sound financial system will enhance internal investment opportunities and ensure economic growth (Table 1.1)

Structure of investments into fixed assets by sources of financing (% of total)

1.1-TABLE

Funding sources	2014 year	2015 year	2016 year	2017 year	2018 year
Own means of enterprises and population	57,6	56,2	54,4	47,3	42,0
Funds received	42,4	43,8	45,6	52,7	58,0
from them:					
state budget	4,2	4,2	4,3	4,8	4,5
bank loans and other borrowed funds	10,4	11,0	10,8	12,6	17,8
foreign investments and loans	18,5	18,5	20,7	23,8	24,3

The table shows that in the structure of sources of financing in 2018 the total volume of investments was 4.5%, foreign investments 24.3%, enterprises and population 42.0%.

On the whole, the analysis of macroeconomic indicators shows that today, despite the gradual implementation of the Strategy of Action on the five priority directions of development of the Republic of Uzbekistan in 2017-2021, Uzbekistan is in the group of countries with huge foreign investments. Undoubtedly, creation of a favorable investment climate for consistent implementation of investment projects and programs and structural reforms in the country, aimed at long-term strategic goals.

Effective use of real investments depends to a large extent on the financial soundness of the economic processes in the enterprises they implement. Assessment of the expected efficiency of investment investments using modern methods of financial management, regular monitoring of the investment process ensures the rational use of resources. Widespread introduction of corporate governance principles will facilitate the integration of interests of various economic entities in the process.

At the macro and micro level, investment will depend on the country's economic policy, legislation, the development of investment infrastructure, the level and the economic status of the country[10]. An important feature of the economic reforms being implemented in Uzbekistan is the consistent continuation of efforts to improve access to business and improve the business environment. In particular, a number of laws and legislative acts adopted in recent years have played a significant role in establishing strict procedures for the prevention of illegal interference by law enforcement, regulatory and administrative bodies in business activities and increasing the responsibility of the heads and officials of these agencies.

A scientific analysis of the factors contributing to the development of investment activity is required. This analysis will allow you to choose the best way to allocate funds and determine investment policies for each region in the future. It is important not only to increase investment, but also to choose the right directions and structures in order to achieve economic growth. For investment, first of all, it is necessary to select such types of production and enterprises, which should be able to quickly recover costs and provide high economic and technological effect.

Favorable investment climate is the key factor for consistent structural reforms in the country and its regions. Investment climate is a set of economic, political, regulatory, social and other conditions that influence investment processes [8]. This environment is primarily determined by the following economic factors: natural resources, including mineral resources, labor force and average wages, economic situation and employment, internal market capacity, and opportunities to sell goods on the foreign market, credit system, level of taxation, development of production and social infrastructure, government policy on foreign capital, preferential conditions for it, environmental situation, etc. Creating a favorable investment climate after Uzbekistan gained independence has been one of the central issues of its economic policy. The economic development of the regions is closely linked to the investment processes in the regions. Because the current economic development results from past investments, future results will depend on the volume, structure and rationality of the investments of the current period. In this context, the tasks outlined in the Action Plan of the Republic of Uzbekistan's Development Strategy of the Republic of Uzbekistan for 2017 - 2021 are aimed at consistent implementation and activation of investment processes.

Investment processes are aimed at improving the competitiveness of the national economy, increasing the efficiency of production in the regions and enterprises. The reason is that currently the GDP is growing at a high rate and high macroeconomic indicators need to be ensured mainly by significant structural changes and improved production efficiency. The economic strategy in the region, in addition to long-term goals, also includes the means and ways to achieve those goals. Among them is the continuous improvement of production efficiency. At the same time, the investment climate in the region plays an important role in encouraging the desire for efficiency [9]. Without investment, it is impossible to develop competition without increasing production, and without competition, the desire for efficiency declines.

Measures are being taken to strengthen the economic potential of the regions, to meet the needs of the population for material and material benefits. Their quality content is aimed at improving the investment climate. For these purposes, the Resolution of the Cabinet of Ministers "On the Program of modernization of industry and production of Namangan region for 2009-2012", "On the program of development of small business, entrepreneurship and home-based labor in Namangan region for 2009-2012" and the Presidential Decree No. PP-2439 of November 24, 2015 "On the Development Program of the Namangan Province for 2016-2019", the Decree of the Cabinet of Ministers "On Measures for Further Improvement of Namangan Infrastructure". Adoption of other resolutions on the Program of measures for the development of infrastructure in the region serve as a basis for further intensification of investment processes and improvement of the investment climate in Namangan region.

The construction industry develops in a common investment climate, in combination with all other sectors and sectors of the economy. Improvement of the investment climate means that favorable conditions for domestic and foreign investors are created in the economy, which can be achieved through the use of a number of factors (Figure 1.1).

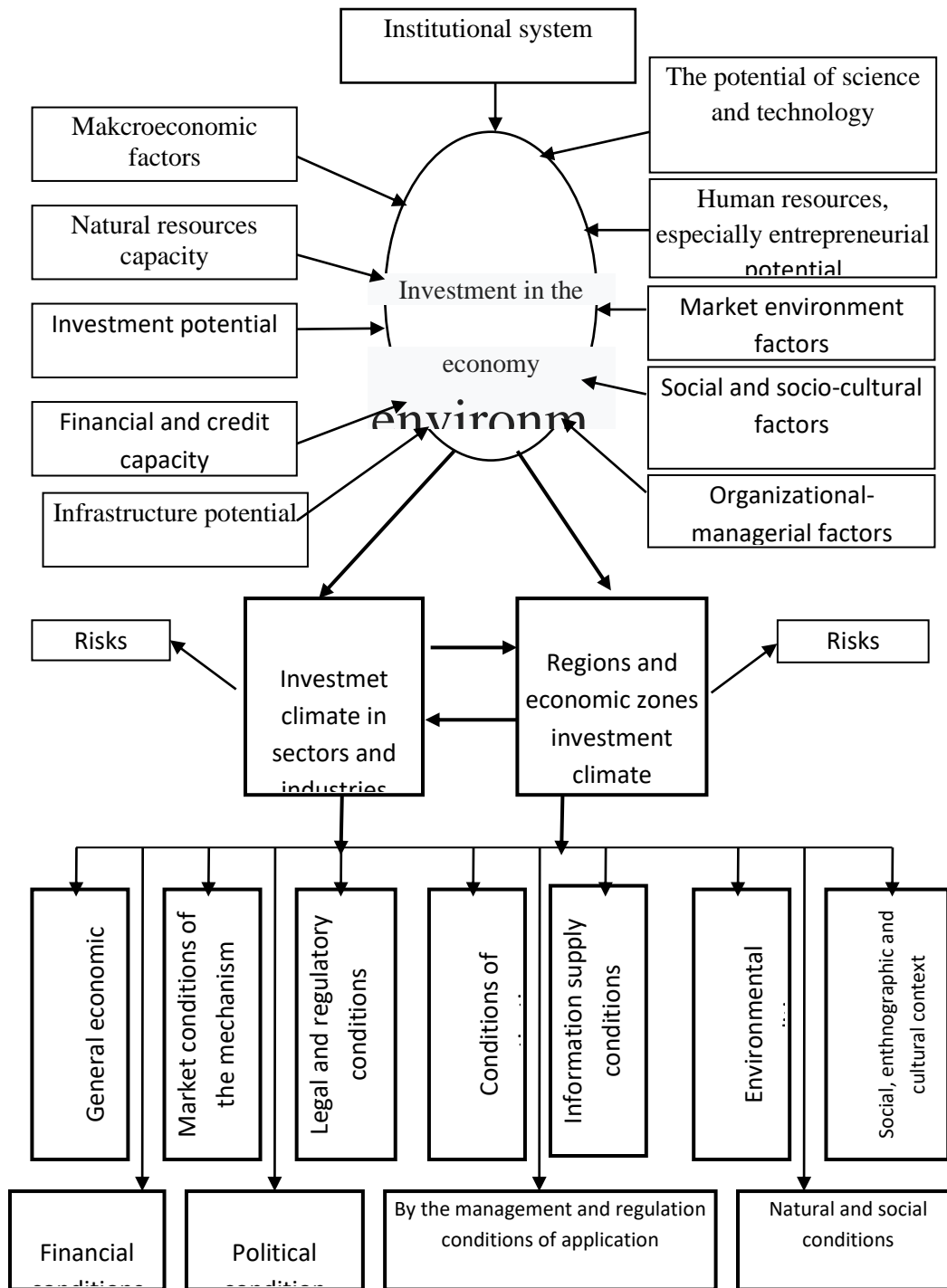


Figure 1.1. Investment climate and the factors that shape investment attractiveness.

In turn, investment attractiveness of the country increases as a result of measures aimed at strengthening construction processes and represents an increase in investment. Thus, the development of the construction industry cannot be imagined without an increase in investment. The construction industry is based on investments and is a unique infrastructure to maintain production continuity.

From the material point of view, the created investment climate and investment priorities require high quality building construction [7]. The aim is to strengthen the country's industrial potential, to create favorable living conditions for the population, to make our country one of the most developed countries in the world.

It also assumes that the material conditions for investing are satisfactory. One of the key areas in Namangan region is the energy supply. The 900 MW Thermal Power Station, built in Turakurgan district, is one of the investment projects to mitigate such traffic. Commissioning of the thermal power station will provide full access to electricity and industrial facilities in the Ferghana Valley. The project cost is more than US \$ 1 billion 195 million and is implemented by Japanese consortium Mitsubishi Corporation and Mitsubishi Hitachi Power Systems. The project is financed by the Japan International Cooperation Agency (JICA), the Fund for Reconstruction and Development of Uzbekistan and Uzbekenergo. It is well known that investments in the real economy usually involve large-scale construction activities, that is, the demand for construction services. In other words, exactly the conditions for the construction will be indirect. The program envisages \$ 2.8 billion projects for integrated development of Namangan region. According to it, more than 1,400 investment projects will be implemented in 2019-2020 and \$ 1.1 billion of foreign investments will be attracted. As a result, 39,000 permanent jobs will be created.

For the improvement of the regional centers the additional 20 billion soums was allocated to each district, and 2 billion additional funds were allocated to villages and mahallas included in the program "Obod village" and "Obod mahalla". In 2018, 14 7-storey low-rise apartments with 588 apartments were built and commissioned. In Namangan, 80 hectares of land were allocated to a small industrial zone, where more than 7,000 new jobs were created. Now a new type of urban planning is being established in Namangan with Russian specialists [1].

The processes taking place in the region are an integral part of the regional processes. In particular, ensuring timely implementation of investment projects financed by international financial institutions in Uzbekistan, including:

- Attracting World Bank loans for 27 projects in 2016-2020;
- Attracting Asian Development Bank loans for 20 projects in 2017-2019.
- It was planned to expand cooperation between the Republic of Uzbekistan and the Islamic Development Bank during 2017-2019 through the development of investment projects that aim to attract at least \$ 1 billion in IDB loans.

It is planned to implement 649 investment projects totaling \$ 40 billion in 2017-2021 to implement the action strategies.

Foreign government agencies (China Export-Import Bank, Korea Export-Import Bank, EDSG Fund, Japanese International Cooperation Agency (LSA), Korea International Cooperation Agency (KOICA) The ability to attract concessional loans and grants from the GIZ, the Swiss Agency for Development and Cooperation (FDI), the French Development Agency (FTA), the European Commission for Cooperation, etc.

In 2018, 18 interstate visits were made and \$ 50 billion worth of investment agreements were reached. Currently, 456 projects worth 23 billion US dollars are being implemented in the country at the expense of foreign investments [2].

As a result of measures aimed at reinforcing investment processes, the volume of investments is increasing year by year. This can be seen from the total investment in 2018 alone. According to the figures, in 2018 there were US \$ 9 billion 700 million of investments, which is 13.6% more than in 2009.

About 72% of these investments were directed to the establishment of industrial enterprises, including about 38% for the purchase of equipment and advanced technologies. The share of foreign investments and loans in the total volume of investments made up 28.8%, foreign direct investments - more than \$ 2 billion 400 million.

In the Address of the President of the Republic of Uzbekistan on the Priorities of the Country's Development in 2019, the Step-by-Step Implementation of the Strategy of Action on the Five Priorities for the Development of the Republic of Uzbekistan in 2017-2021, ensures that they are being implemented. In particular, 3.8 trillion soums will be allocated from the national budget to finance construction of affordable housing by means of commercial banks in 2018, 1 527.6 billion soums for "Obod village" and "Obod mahalla" programs, and 500 billion soums for our youth. Besides, about 300 billion soums were allocated to the newly established Public Fund for "Support of Women and Families". Implementation of "Obod village" and "Obod mahalla" programs at the expense of local budgets, city and village improvement, construction, reconstruction and repair of preschool educational institutions, social and economic development of the territories, as well as the Council of Ministers of the Republic of Karakalpakstan, regions and Tashkent. About 4.5 trillion soums were directed to creation of territorial funds to stimulate creation of new jobs under khokimiyats.

It is known that in the framework of the State program "Year of active entrepreneurship, innovative ideas and technologies support" in 2018, 76 thousand projects for 21 trillion soums and 1 billion dollars were implemented. Significant progress has been made in industry, agriculture, capital construction, transport and communications, services and services. As a result of the measures taken, the total real incomes of the population compared to 2017 increased by 12%. Within the framework of such programs as "Every family is a businessman" and "Youth is our future", some 2 trillion soums have been allocated and more than 2,600 business projects have been implemented at the local level. About 3 trillion soums were allocated for construction and improvement of "Obod village" and "Obod mahalla" programs. As a result of the ongoing construction, 416 villages have acquired a modern look.

In the last three years, 104,000 low-rise homes have been built and commissioned, including 63,000 in rural areas and 41,000 in urban areas to provide residents with affordable housing. According to estimates by international organizations, 145,000 apartments are to be built in Uzbekistan every year to meet the needs of the population. This will require about 30 trillion soums a year [3].

In 2019 more than 4 trillion soums were allocated for the implementation of "Obod village" and "Obod mahalla" programs. However, according to the President of the country, the level of urbanization of our country is 35.5%, and this figure may decline in the near future if the necessary measures are not taken. Therefore, the State Program on increasing the level of urbanization of the population by 60% by 2030 has been elaborated and it is necessary to focus on the comprehensive development of not only the capital and provincial centers, but first of all the towns and villages in the regions. It was emphasized that it is necessary to gradually move from standard housing construction programs in rural areas to multi-storey apartment buildings

in cities and villages. Engineering and communication infrastructure should also be developed in close connection with housing construction programs. In order to fulfill these tasks, the development of the construction industry is required. By the end of 2018, Namangan region utilized 5882.0 billion soums of capital investments from all sources, which is 150.8% more than in 2017. Out of this, 130.1 billion soums were allocated to the state budget and 681.0 billion soums. soums of enterprises and organizations, 111,2 bln. Off-budget funds, 1,133.4 billion soums of foreign investments, 416.8 billion soums sum of bank credits, 779,0 bln. UZS, including private individuals and UZS 5.5 billion soums were spent on children's sports. The volume of work performed by contractors in the reporting period amounted to 1917.7 billion soums, which is 4.5% more than in 2017. The area in 2018 will be 1078.9 thousand sq. M. settlements were put into operation. In 2018, 272.8 km of drinking water and 6.6 km of natural gas networks were laid. It is also planned to allocate \$ 29.1 billion from the Fund for Reconstruction, Major repairs and new construction of educational and healthcare facilities. soums, 19 schools with 6120 students were commissioned. Three facilities were commissioned at the expense of the Children's Sports Development Fund.

Investment expenditure in the country for 2019 is planned in the amount of 11.9 trillion soums. These funds were used to implement strategically important projects identified by the decisions of the President and the Government of the Republic of Uzbekistan, including programs for the development and reconstruction of drinking water supply, water facilities, transport and communications infrastructure, and educational and medical facilities. It is planned to allocate about 3 trillion soums for the opening of credit lines to banks participating in financing affordable housing programs. By 2020, Uzshahr Invest Invest and Qishloq Qurilish Invest engineering companies will continue to build 4,250 homes in cities and 8,000 in rural areas [4].

In 2019, the village of Obod will receive \$ 312,024 million from all sources of funding under the Program. In the reporting period, 264 005 million soums were spent on construction and repair works. 8,662 individual houses are required to repair and renovate their homes. To date, the construction and repair works in 6 869 apartments have been completed. At the same time, it is planned to renovate 4 apartment buildings and spend 139 million soums. Of these, 226 million soums have been spent and 3 apartment buildings are being repaired and repaired.

INVESTMENTS IN FIXED CAPITAL BY ECONOMIC TYPE OF CONSTRUCTION (BLN. UZS) TABLE 1.2

Regions	2014 year	2015 year	2016 year	2017 year	2018 year	Changes in 2018 versus 2014
The Republic of Uzbekistan	808,3	1057,1	932,1	1427,7	2550,6	1742,3
The Republic of Karakalpakstan	33,6	111,7	155,1	192,1	136,1	102.5
<i>regions:</i>						
Andijan	24,3	41,8	32,1	35,6	80,8	56,5
Bukhara	109,4	97,8	158,8	69,4	334,4	225,0

Jizzakh	30,8	36,7	21,2	63,4	88,4	57,6
Kashkadarya	75,9	79,0	73,9	156,3	125,6	49,7
Navoi	15,3	30,6	18,0	34,6	69,9	54,6
Namangan	12,9	38,2	21,7	36,9	120,6	107,7
Samarkand	30,7	47,1	34,9	54,6	104,9	74,2
Surkhandarya	35,6	48,7	52,8	140,0	380,9	345,3
Syrdarya river	18,9	16,6	19,3	19,2	65,2	46,3
Tashkent	85,6	154,0	28,3	60,9	144,1	58,5
Fergana	64,2	97,5	85,4	161,5	198,1	133,9
Khorezm	54,3	57,5	28,3	45,7	63,7	9,4
Tashkent	216,8	199,9	202,3	357,5	637,9	421,1

As can be seen from the table above, the volume of investments into fixed capital in the Republic of Uzbekistan by type of economic activity in 2014 amounted to 808.3 billion. UZS, 1057.1 bln. UZS 932,1 bln. UZS 1427.7 billion in 2017 UZS 2550.6 billion by 2018 soums. This is indicative of an increased volume of construction contract work in the regions, an increase in the commissioning of new production facilities in the area of small business and private entrepreneurship, and the creation of new jobs for the population.

CONCLUSION AND SUGGESTIONS

The research shows that there is a high rate of expansion in the regions as well. This, in turn, indicates the development of the bases of development processes in the regions. Based on the above results, we think it is advisable to do the following in the regions:

- improving the investment climate, creating favorable conditions for investors;
- scientific analysis of the factors contributing to the development of investment activity;
- Development of regional investment programs;
- Increased industrial construction in investment costs;
- Investments in science-intensive industries in urbanized regions.

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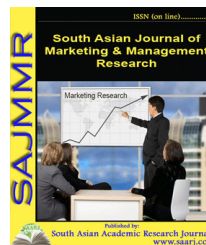
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FUNCTIONING AND DEVELOPMENT OF THE DOMESTIC MARKET OF OIL AND FAT PRODUCTS OF UZBEKISTAN

Farrux Mamatkulov*; **Ismatov Sunnatillo****; **Abdurakhimov Saidakbar*****;
Rakhmonov Kakhramon****

*Bukhara Engineering Technological Institute,
Bukhara, UZBEKISTAN

**Ph.D., Associate Professor,
Bukhara Engineering Technological Institute,
Bukhara, UZBEKISTAN

***Doctor of Technical Sciences,
Tashkent Chemical Technological Institute,
Tashkent, UZBEKISTAN

****Ph.D.,
Bukhara Engineering Technological Institute,
Bukhara, UZBEKISTAN
Email id: qaxa8004@mail.ru

ABSTRACT

The effective development of oil and fat products in Uzbekistan, as part of the food market, is a necessary factor in food security. Uzbekistan as a whole fully provides itself with vegetable oil and is its major exporter. The advantage of Uzbekistan is that, in fact, its entire territory is suitable for growing oilseeds, food security.

KEYWORDS: *Oil, Deep-Processed, Capillary-Porous, Fat Products, Oilseeds.*

INTRODUCTION

In fact, oilseed crops are in demand in the Central Asian market in every region. Products of the oil and fat industry in Uzbekistan are deep-processed products and multifunctional. A feature of the domestic oil market is the species diversity of its constituent markets. Uzbekistan presents a different assortment of oil and fat products of domestic and foreign manufacturers. Both large agricultural holdings and small producers and processors work in this market. The purpose of the study is to, based on the study of indicators characterizing the current state of the Uzbekistan oil and fat products market, comparing the situation and the existing experience of large processors, determine the measures for the further effective and competitive development of this market for

the long term. In the research process, abstract logical, monographic, economic and statistical methods were used. In a competitive environment, in order to stay on the market, oil and fat organizations form their structure in the form of vertically-integrated multidisciplinary groups, which, in addition to processing plants, include agro-industrial organizations, logistics divisions - transport, elevators, trading houses.

MATERIALS AND METHODS

For the development of the oil and fat products market, it is necessary to increase the domestic competitiveness in high-tech, use innovative technologies, develop exports, and seek new markets. The results can be further used in the development of long-term regional development programs.

Conclusions and suggestions of budugs contribute to the formation of a competitive mechanism for the functioning and development of the domestic oil and fat products market. [1]

State Program for the Development of Agriculture until 2030 provides for intensive agricultural development to ensure the achievement of the share of domestic products established by the Food Safety Doctrine in total resources, to increase the gross yield of oilseeds and in particular cotton seeds and the production of vegetable oils up to 80%.

In connection with the entry of Uzbekistan into the WTO, the competition between manufacturers not only in Uzbekistan but also in foreign ones is intensifying, and the period for introducing scientific and technical developments is decreasing. [2]

Therefore, the implementation of the State Program requires the introduction of various and innovative developments, which will be aimed primarily at improving the quality of high-volume products, and in particular oil and fat.

The oil and fat industry today is called upon not only to provide the population and other food processing industries with high-quality oils and oil-containing products, but also to provide more and more raw materials for non-food production - perfumes, cosmetics, pharmaceuticals and such areas of application of fatty raw materials as biofuel production, various greases, higher fatty oils acids, glycerin, paints and varnishes, etc.

Today, scientific research and other universities in Uzbekistan are carrying out large-scale scientific support of the oil and fat complex, which is carried out in the areas of both the development of technological processes for the extraction of oils and a wide range of oil and fat products based on them that meet modern physiological requirements.

In addition to technological factors, the geography of the location of lipid-containing spherosomes and protein bodies in the cell also affects the speed and depth of oil extraction. Depending on their location (in the center, along the periphery or their uniform dispersion over the entire volume of the cell), the formation of the capillary-porous structure of the material under the influence of technological factors depends and ultimately determines the rate and sequence of destruction of lipid-containing spherosomes by protein bodies and, accordingly, the oil extraction rate.

The main patterns are:

- Change under the influence of technological factors of oil localization along the pore length of the capillary-porous system of the structure until it comes to the surface;

- Selectivity of absorption by pores and capillaries of substances distributed on the inner surface of pores of different diameters.

Vegetable oil is a multicomponent mixture of substances of different structure and polarity, so the redistribution of oil components occurs in decreasing order of their polar properties. It is known that during extraction, oil passes through the pores and capillaries of the capillary-porous structure of the seed, during which it acquires a higher peroxide value. This is due to the fact that pores and capillaries of the structure contain active oxygen, which interacts with oil and oxidizes it. Moreover, the larger the pore volume, the greater the amount of gaseous oxygen located in the pores and capillaries of the oil-containing material and the higher the possibility of oil oxidation when it passes through the structure under the influence of technological factors. [1].

RESULT AND DISCUSSION

The amount of oxygen localized in the pores and capillaries of the seed is sufficient so that even in the process of grinding at a pressure of 260 g / cm even the highest quality oil, which is in the seed in a bioprotected state (in spherosomes) and, accordingly, in the initiation stage, would react with oxygen and the oxidation process would shift to the stage of an uncontrolled linear induction period, for the occurrence of which the presence of only oxygen is sufficient.

Therefore, oil extraction technologies must be implemented in such a way that inert gas is present in the pores and capillaries of the material before extraction. Our task is to obtain oil with a content of hydroperoxide radicals corresponding to their level during the initiation period. Then the extracted oil will have high oxidation stability, since the amount of natural antioxidants contained in it is designed to block radicals only at the initiation stage. However, their influence when using classical technologies is not effective enough, since the oil very quickly passes through the initiation stage during extraction, passing into the induction period.

Refining vegetable oils and fats is one of the most important technological processes of fat processing. Refining technology, namely, alkaline neutralization of raw cottonseed oil, consists of a complex of complex physical, chemical and physico-chemical processes, on which physicochemical characteristics and quality indicators of refined oil mainly depend. Technological modes of yield and quality indicators of refined cottonseed oil are also due to the nature and method of production of crude oil, the composition and quantitative content of foreign impurities, as well as related substances [3]. The selection of an effective adsorbent for the refinement of cotton salomas requires a thorough study of its mineral and chemical composition, as well as structural properties. We have determined the optimal technological regimes for the partial neutralization of raw cottonseed oil, which ensure the maximum removal of phospholipids, gossypol and its derivatives, tocopherols from the raw materials at the stage of preliminary refining. The technique and technology of refining fats is constantly being improved. Refining production is equipped with modern high-performance equipment of continuous operation, due to which the capacity of the workshops increases and labor costs are significantly reduced [2].

For the alkaline neutralization of raw cottonseed oil, sodium hydroxide solutions with various concentrations and excesses are mainly used as the alkaline agent. Refining of crude prepress and extraction cottonseed oil occurs at high concentrations and an excess of alkaline sodium hydroxide solution. This refining technology is accompanied by a low yield of final products, as well as a significant consumption of material and technological resources. Along with this, the oil and fat industry of the republic is experiencing a deficiency of sodium hydroxide due to its

high cost. Taking this into account, in recent years, improved technological processes have been proposed for the alkaline neutralization of raw cottonseed oil using new types of alkali-replacing chemicals [3]. In this direction, a special place belongs to the use of alkali carbamide and other solutions. However, the technological processes for the purification of raw cottonseed oil by these types of alkaline reagents are also not without separate drawbacks.

CONCLUSION

Thus, on the basis of the processed reagents, the technology for alkaline neutralization of raw cottonseed oil has been intensified and improved in the EMF. Therefore, the range of tasks facing scientists and experts in the oil and fat industry is quite wide. In order to implement promising innovative projects, strengthening of fundamental research is supposed.

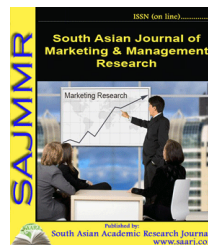
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ANALYSIS AND EVALUATION OF SOURCES OF INVESTMENT IN AUTOMOTIVE TRANSPORT ENTERPRISES

Mukhitdinova Kamola Alisherovna*

*Senior Lecturer,

Department of “Economics and Organization of Road Management”,
Construction and Maintenance of Automobile Roads,
Tashkent Institute of Design, UZBEKISTAN

ABSTRACT

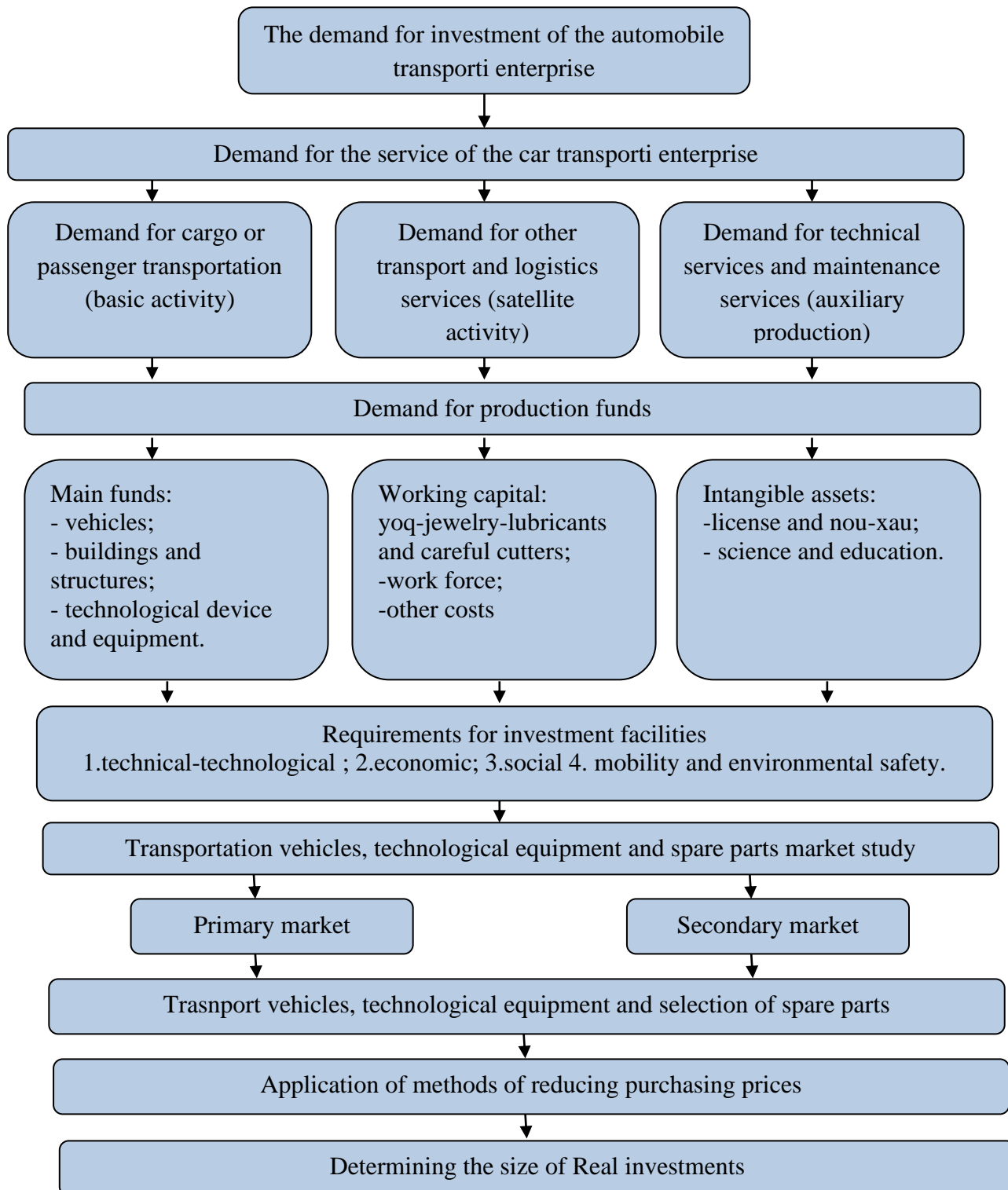
The conditions of the modern road transport industry in Uzbekistan are becoming more complex, which means that the investment processes of domestic enterprises are becoming effective. For this reason, it is important to develop methods and tools that can be used to improve the investment process in road transport enterprises. The subject of the research is the peculiarities of investment activity of automobile transport enterprises. The purpose of the scientific article is to analyze the features of investment activities of road transport enterprises and recommend measures to improve their processes.

KEYWORDS: *Investment, Automotive Transport, Economy, Development, Enterprises, Production.*

INTRODUCTION

The experience of developed industrial countries shows the need to apply new principal models of the organization of production, aimed at creating a strong competitive environment and innovation, and relying on internal and international integration relations.

In the system of market relations, the production-economic activity of transport is considered as the process of changing the different types of resources consumed into commodity products, in this case it is considered as transport services, which are quantitatively measured and evaluated by financial and economic indicators.



1-picture. Vehicle transport the model of determining the need for investment in an enterprise

In order to assess the sources of attracting investments in automobile transport enterprises, it will also be necessary to first consider the demand for its service (Figure 1). From this, the object of investment is determined and the sources for its financing are evaluated.

Car transport services lack of savings capacity has the ability to constantly additional transportation from transport operators, the direct linkage of the results of activities to road networks and natural factors complicates the planning of the process of restoration of prospective and main funds in the field. Because the stock capacity in the automotive sector is considered high, this figure is 4-5 times larger than the corresponding figures in the industry. Almost non-availability of raw materials in the creation of transport service is reflected in the composition of compensation with the fund. In other sectors of the economy, this indicator reaches an average of 25 percent, if the turnover in the structure of production funds in the industry is 7-10 percent. If depreciation deductions in the cost of motor vehicles transport services reach up to 30 percent, it is 7-10 percent in industrial sectors. It can be seen that the main funds in the activities of the car transport have a great influence on the reproduction process.

MATERIALS AND METHODS

The analysis of the literature on this subject has shown that the issues of legal, organizational and economic and financial interrelationships among the stakeholders in the attraction of sources of financing have not been adequately resolved.

Attracting investments in the network is spent on the creation of fixed production funds in accordance with the stages of repeated production, as well as the use of fixed assets in repeated production.

Proceeding from the purpose of this work, we found that the main means of providing transport services is to analyze the new content in the movement and the potential probable sources of financing, based on the financial capabilities and economic situation of Automobile transport enterprises, the market conjuncture of vehicles, and to substantiate their optimal option.

When choosing them, there are factors of the following groups: technical, economic, geographical and social. The presence of movement content with certain characteristics in the enterprise depends on their safety and technical characteristics (shooting, dimensions of the gabarite, additional devices, etc.). The relevant requirements are especially important when providing services in the field of urban and territorial transportation.

The analysis showed that a large part of the content of the tools in the movement used is morally obsolete and does not correspond to the modern conditions of transport exploitation, which necessitates the need for financing the elimination of all types of degradation, the optimization of the infrastructure and the content in the movement on the basis of the improvement. In addition, in order to achieve economic efficiency in use, taking into account the depreciation of the basic means of production in limited financial conditions, it is necessary not only to restore the old stock resources, but also to buy new ones with modern characteristics.

Transport various strategies are used in the acquisition of content in action and in the provision of its working capacity. The choice of the strategy is based on a number of factors: the price of the content in the movement in the primary and secondary markets, the cost of Services, the existing order of determining depreciation on the content in the movement, the price of fuel and express materials, the rate of inflation (interest rates), the level of export reliability.

But when choosing an investment source, one of them is selected by assessing the shortcomings and advantages of the options for buying the content in the movement, and the economic indicators of the investment projects are determined.

It is necessary to consider several possible options for investing in the purchase of content in the movement, as well as to choose the most acceptable and economically justified option.

RESULTS

Businesses that want to acquire content in action, in world practice can choose from the following possible options:

- own funds;
- attracted funds (credit resources);
- leasing;
- co-financing.

In the conditions of the existing conjuncture in our country, transport operators who need content in movement can buy it in the following way:

- from the account of own funds (to the account of accumulated depreciation and undistributed profit);
- bank credit account;
- on condition of financial lease, taking into account the fact that the lessor has a leasing object in his balance sheet;
- financial lease condition, taking into account the fact that the lessee has a leasing object in the balance sheet.

When choosing the option to update the content in action, it is possible to use the above suggestions, based on a comparative analysis.

In making the decision, the technical and economic condition of the economic entity, the size of the working capital, the availability of production funds for guarantors and collateral are taken into account.

As a criterion for the selection of rational source of financing, the minimum of costs listed in the accounting period, equal to the useful life of the composition in action, is accepted. The reason why the quoted costs are chosen as a criterion is that variable cash flows for an economic entity that has a need in investments under consideration alternative options mean an increase or decrease in the required financial resources, which means that the payments are an acceptable variant of updating the production assets, which reduces the total volume.

CONCLUSION

An additional analysis of the cash flow associated with the regulation of income tax accounting may be required when differences are found in the accounting and tax depreciation accounting period. We will determine the quoted cost is not discounted and taking into account the time factor. Financing is the main factor that determines the outcome of alternative options, and serves to change the payment of interest, lease payments, depreciation deductions and income tax related to the possibility of saving taxes.

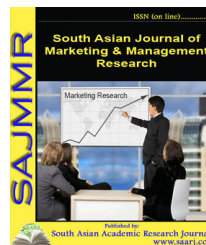
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THE ROLE OF GOVERNMENT SOVEREIGN BONDS IN THE DEVELOPMENT OF THE NATIONAL ECONOMY

Elmirzayev Samariddin*; Kholikov Khamidulla**

*Professor,

Department of Corporate Finance and Securities,
Tashkent Institute of Finance, Tashkent, UZBEKISTAN

**Master's student,

Corporate Finance and Securities Market,
Tashkent Institute of Finance, Tashkent, UZBEKISTAN
Email id: khamidullakholikov@gmail.com

ABSTRACT

Today, the bond market is the largest investment market in the world, and it has become not only a place to attract cheap and convenient loans, but also a promising place for strategic investors. This article focuses on Eurobonds, a type of bond market, with a special focus on the reasons, objectives, disadvantages, and advantages of issuing Eurobonds. The article also analyzes the practice of Uzbekistan, a developing Central Asian country, on Eurobonds. In addition, the impact of these Eurobonds on the country's economy has been studied on the basis of statistical analysis.

KEYWORDS: *Bond, Eurobond, Coupon Rate, Maturity, Government Sovereign Eurobonds, International Capital Market.*

INTRODUCTION

The international capital market is both the result of the development of the world economy and the accelerator of this development. It contributes to the internationalization of production and the exchange of capital by creating favorable conditions for the movement of securities between countries. At the same time, it is also an additional source of net income, both in various forms of dividends and interest payments, and in the form of net speculative income, based on the difference in the prices of securities in different countries. The international capital market is necessary for the participants of capital markets in order to protect their investments from various kinds of market, currency and credit risks, as it creates additional opportunities for hedging and diversification of capital. The market of sovereign and corporate Eurobonds will attract capital and, most importantly, the attention of foreign investors to the stock market and

the economy of Uzbekistan as a whole, which will provide an incentive in their development. Foreign investors will bring additional liquidity to the stock and bond market in Uzbekistan, which is so necessary for us, will allow local companies to efficiently place bond loans in the local market, increase the cost of shares, which will allow the population and business to receive an additional source of income from the resale of their blocks of shares.

LITERATURE REVIEW

Capital markets are for securities with an original maturity that is greater than one year. These securities include bonds, stocks, and mortgages. Among the given types of securities bonds represent one of the most popular long-term alternatives to investing in stocks. **Bonds** are securities that represent a debt owed by the issuer to the investor. Bonds obligate the issuer to pay a specified amount at a given date, generally with periodic interest payments. The par, face, or maturity value of the bond is the amount that the issuer must pay at maturity. The **coupon rate** is the rate of interest that the issuer must pay, and this periodic interest payment is often called the coupon payment. This rate is usually fixed for the duration of the bond and does not fluctuate with market interest rates. If the repayment terms of a bond are not met, the holder of a bond has a claim on the assets of the issuer. Bonds are lower risk than stocks because they have a higher priority of payment. This means that when the firm is having difficulty meeting its obligations, bondholders get paid before stockholders. Additionally, should the firm have to liquidate, bondholders must be paid before stockholders. [1]

Even healthy firms with sufficient cash flow to pay both bondholders and stockholders frequently have very volatile stock prices. This volatility scares many investors out of the stock market. Bonds are the most popular alternative. They offer relative security and dependable cash payments, making them ideal for retired investors and those who want to live off their investments. Many investors think that bonds represent a very low risk investment since the cash flows are relatively certain. It is true that high-grade bonds seldom default; however, bond investors face fluctuations in price due to market interest-rate movements in the economy.

As interest rates rise and fall, the value of bonds changes in the opposite direction. The possibility of suffering a loss because of interest-rate changes is called **interest rate risk**. The longer the time until the bond matures, the greater will be the change in price. This does not cause a loss to those investors who do not sell their bonds; however, many investors do not hold their bonds until maturity. If they attempt to sell their bonds after interest rates have risen, they will receive less than they paid. Interest-rate risk is an important consideration when deciding whether to invest in bonds.

International bonds are bonds issued by a country or company that is not domestic for the investor. The international bond market is quickly expanding as countries and companies continue to look for the cheapest way to borrow money in order to implement new or ongoing projects. By issuing debt on an international scale, a company can reach more investors. It also potentially helps decrease regulatory constraints. There are three general categories for international bonds: domestic, euro, and foreign. The categories are based on the country of the issuer, the country of investor, and the currencies used.

Domestic bonds are issued, underwritten and then traded with the currency and regulations of the borrower's country. For example, an Uzbek company issues debt in Uzbekistan with the principal and interest payments based or denominated in Uzbek soums.

Eurobonds are underwritten by an international company and denominated in a currency other than the home currency and then traded outside of the country's domestic market. For example, an Uzbek company issues debt in the United Kingdom with the principal and interest payments in denominated in US dollars.

Foreign bonds are issued in a domestic country by a foreign company, using the regulations and currency of the domestic country. For example, an Italian company issues debt in Uzbekistan with the principal and interest payments denominated in soums.

A Eurobond is a debt capital market instrument issued in a 'Eurocurrency' through a syndicate of issuing banks and securities houses, and distributed internationally when issued – that is, sold in more than one country of issue and subsequently traded by market participants in several international financial centres. [2]

Eurobonds are frequently grouped together by the currency in which they are denominated, such as eurodollar or euro-yen bonds. The Eurobond is a type of bond that is issued in a currency that is different from that of the country or market in which it is issued. Despite its name, it has no particular connection to Europe or the euro currency. Due to this external currency characteristic, these types of bonds are also known as external bonds. Eurobonds are important because they help organizations raise capital while having the flexibility to issue them in another currency. Issuance of Eurobonds is usually handled by an international syndicate of financial institutions on behalf of the borrower, one of which may underwrite the bond, thus guaranteeing the purchase of the entire issue. In history the first Eurobond was issued in 1963 by Autostrade, the company that ran Italy's national railroads. It was a \$15 million eurodollar bond designed by bankers in London, issued at Amsterdam Airport Schiphol and paid in Luxembourg to reduce taxes. It provided European investors with a safe, dollar-denominated investment.

Issuers run the gamut from multinational corporations to sovereign governments and supranational organizations. The size of a single bond issuance can be well over a billion dollars, and maturities are between five and 30 years, although the largest portion has a maturity of fewer than 10 years. Eurobonds are especially attractive to issuers based in countries that do not have a large capital market while offering diversification to investors.

Analysis and Results

The global bond market totals over \$100 trillion in outstanding debt. The fact many Eurobonds are unregistered, and trade-in bearer form makes definitive numbers for the sector impossible to obtain, but it is likely they account for about 30% of the total. A growing portion of Eurobond issuance is from emerging market nations, with both governments and companies seeking deeper and more developed markets in which to borrow. There are lots of benefits of Eurobonds for issuers and investors.

There are a number of benefits to issuing Eurobonds rather than domestic bonds for a project of this type for the issuer:

- ✓ Companies can issue bonds in the country of their choice and the currency of their choice, depending on what is most beneficial for the planned use;
- ✓ The issuer can choose a country with an interest rate that is favorable to its own at the time of the issue, thus reducing the costs of borrowing;

- ✓ Eurobonds have particular appeal to certain investor populations. For example, many U.K. residents with roots in India, Pakistan, and Bangladesh view investments in their homelands favorably;
- ✓ The company reduces forex risk. For example, the company could have issued the domestic bonds in the US in US dollars, converted the amount to the domestic currency of the issuer's country at the prevailing rates in order to move it to the home country, then exchanged the domestic currency for US dollars in order to pay interest to bondholders. This process adds transactional costs and forex rate risk;
- ✓ Although Eurobonds are issued in a particular country, they are traded globally, which helps in attracting a large investor base.
- ✓ The benefits of Eurobonds for the investor are these:
- ✓ Eurobonds can offer diversification with a smaller degree of risk. They are investing in a solid and familiar local company that is expanding its business into an emerging market;
- ✓ Eurobonds are denominated in foreign currencies but launched in nations with strong currencies. That keeps them highly liquid for their local investors.

Nowadays nearly all developing countries issued their sovereign Eurobonds to finance important projects. Like other developing countries, for the first time in its history, Uzbekistan placed \$ 1 billion Eurobonds on February 14, 2019. The bonds were placed in a double tranche of \$ 500 million maturing in February 2024 and 2029, the press service of the Ministry of Finance said. Typically, Eurobonds are issued to attract borrowed capital in the interests of the country, for example, to develop large projects, finance the activities of current sectors of the economy, etc. But Uzbekistan had completely different goals. First of all, as representatives of the government note, the issuance and successful placement of sovereign bonds on European platforms should become a benchmark for subsequent issues of corporate Eurobonds by leading enterprises of the country, because the demand for financing in the country is very high: the revitalization of the business has led to the emergence of new projects, requiring large capital investments in construction, the purchase of advanced equipment, technologies, attracting qualified personnel. The better the placement of sovereign Eurobonds will take place; the cheaper public and private companies will be able to raise funds within corporate placements. In addition, access to international capital markets will significantly increase competition in the domestic market, which will reduce the cost of attracting debt, as at the moment there is only the possibility of attracting bank loans and capital from founders on the market, which is often quite expensive types of financing investment projects and often does not allow companies to implement expensive low-margin projects of an infrastructural nature or having a long implementation period. In July 2018, the government of Uzbekistan engaged a consortium of banks led by JP Morgan Chase to obtain a sovereign credit rating and issue sovereign bonds. In accordance with the decree of President Shavkat Mirziyoyev, the funds received from the placement of bonds will be directed to the implementation of work under social programs and the construction of infrastructure facilities. According to experts, a sovereign rating acts as a way to diversify sources of attracting foreign funds. Obtaining a credit rating of the country will contribute to the growth of foreign direct investment, expand cooperation with foreign partners, as well as create favorable conditions for banks and enterprises to attract credit in the global financial markets at lower interest rates. Initially, the coupon rate range was set at 5.625 to 5.75 percent and 6 percent, but due to high demand, Uzbekistan reconsidered interest rates and reduced them to 4.75

percent and 5.375 percent. About \$ 3.8 billion in bids were received from about 150 institutional investors. From a state perspective, the majority of 5-year and 10-year bonds purchased were purchased by British investors (39% and 32%, respectively), while American investors purchased 23% and 31% of the bonds. European investors accounted for 32% and 27%, while investors from Asia, the Middle East and North Africa accounted for 6 and 10%. The majority of Eurobonds - 75% and 78% - were bought by management funds, 20% and 16% by insurance companies and pension funds, 5% and 6% by banks.

In accordance with the Decree of the President of the Republic of Uzbekistan No. PD-4258 "On the effective use of funds from the placement of the first sovereign international bonds of the Republic of Uzbekistan", funds from Eurobonds were placed as shown in the table below. [3]

TABLE 1 PLACEMENT OF EUROBOND LOANS AS DEPOSITS BETWEEN LOCAL ORGANIZATIONS. [3] (IN THOUSAND US DOLLARS)

	The amount of money received as a result of the issuance of Eurobonds	The amount of deposits in banks through the auction	Subordinated debt allocated for Agrobank	Loan from the budget allocated for Navoi Mining and Metallurgy Combine	The amount of interest accrued on the amount of money in banks as a deposit	The amount of interest accrued on subordinated debt allocated for Agrobank	The amount of interest accrued on the loan allocated for Navoi Mining and Metallurgy Combine	Annual interest income from the amount of money placed in banks as a deposit	Annual interest income from the subordinated debt allocated for Agrobank	Annual interest income from the loan allocated for Navoi Mining and Metallurgy Combine	Total annual interest income
5-year international bonds	\$500,000	\$459,600	\$0	\$39,950	5.250%	0.000%	5.750%	\$24,129	\$0.00	\$2,297	\$26,426
10-year international bonds	\$500,000	\$429,600	\$20,000	\$49,950	5.875%	5.875%	6.375%	\$25,239	\$1,175	\$3,184	\$29,598

Total	\$1,000,000	\$889,200	\$20,000	\$89,900					\$49,368	\$1,175	\$5,481	\$56,024
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According to Table 1, a total of \$ 889.2 million was deposited in commercial banks through auctions at 5.25% and 5.875% over 5 and 10 years, respectively. In addition, a credit line of \$ 20 million was opened for Agrobank as a subordinate loan at 5.875% over 10 years. In addition, \$ 89.9 million was allocated as a budget loan to finance strategic projects for the Navoi Mining and Metallurgical Combine in two different terms. That's \$ 39.95 million at 5.75% over 5 years and \$ 49.95 million at 6.375% over 10 years.

TABLE 2 COUPON PAYMENTS ON 5-YEAR AND 10-YEAR EUROBONDS. (IN THOUSAND US DOLLARS)

	2020 year	2021 year	2022 year	2023 year	2024 year	2025 year	2026 year	2027 year	2028 year	2029 year	Total coupon payments of Eurobonds
Coupon payments of 5-year Eurobonds	\$23,750	\$23,750	\$23,750	\$23,750	\$23,750						\$118,750
Coupon payments of 10-year Eurobonds	\$26,875	\$26,875	\$26,875	\$26,875	\$26,875	\$26,875	\$26,875	\$26,875	\$26,875	\$26,875	\$268,750
Total coupon payments of two types of Eurobonds	\$50,625	\$50,625	\$50,625	\$50,625	\$50,625	\$26,875	\$26,875	\$26,875	\$26,875	\$26,875	\$387,500
Accumulated expenses for total coupon payments	\$50,625	\$101,250	\$151,875	\$202,500	\$253,125	\$280,000	\$306,875	\$333,750	\$360,625	\$387,500	

Source: prepared by the authors

As you can see from the data in this Table 2, the one-year coupon payment on 5-year Eurobonds is \$ 23.75 million making the total five-year coupon payment on this type of Eurobonds \$ 118.75 million. For 10-year Eurobonds, the annual coupon payment is \$ 26.87 million and the total ten-year coupon payment is \$ 268.75 million. The above two different-term Eurobonds are subject to coupon payments totaling \$ 50.62 million per year and a total of \$ 387.5 million over ten years.

TABLE 3 INTEREST INCOME ON 5-YEAR AND 10-YEAR EUROBONDS. (IN THOUSAND US DOLLARS)

	2020 year	2021 year	2022 year	2023 year	2024 year	2025 year	2026 year	2027 year	2028 year	2029 year	Total interest income
Interest income on 5-year Eurobonds	\$26,426	\$26,426	\$26,426	\$26,426	\$26,426						\$132,130
Interest income on 10-year Eurobonds	\$29,598	\$29,598	\$29,598	\$29,598	\$29,598	\$29,598	\$29,598	\$29,598	\$29,598	\$29,598	\$295,983
Total interest income on two types of Eurobonds	\$56,024	\$56,024	\$56,024	\$56,024	\$56,024	\$29,598	\$29,598	\$29,598	\$29,598	\$29,598	\$428,113
Accumulated total interest income on two types of Eurobonds	\$56,024	\$112,048	\$168,073	\$224,097	\$280,122	\$309,720	\$339,318	\$368,917	\$398,515	\$428,113	

Source: prepared by the authors

According to Table 3 above, interest income from 5-year Eurobonds is \$ 26.42 million per annum, while total five-year interest income is \$ 132.13 million. Annual interest income from 10-year Eurobonds is \$ 29.59 million up from a total of \$ 295.98 million over ten years. Summarizing the above data, the total interest income in one year will be \$ 56.02 million and in ten years this figure will be \$ 428.11 million. Now, if we compare the data in tables 1 and 2 above, the total annual coupon payments are \$ 50.62 million the total annual interest income is \$ 56.02 million and the difference between them is \$ 5.39 million. This means that the net profit on Eurobonds in the first five years will be about \$ 27 million. The annual net profit for the next five years is \$ 2.72 million, for a total of \$ 13.6 million over the next five years. The net interest profit for the decade will be \$ 40.6 million. It should be noted that the placement of the bulk of proceeds from the placement of international sovereign bonds as deposits in commercial banks does not increase state budget expenditures and does not incur additional costs from the budget.

CONCLUSIONS

Companies that have received financing through the issuance of Eurobonds are implementing projects that they would not have done without it or would have done less efficiently. Banks that attracted financing in international markets, redistribute them to small and medium-sized enterprises, which so far cannot use this tool because of the size of the business or its specifics.

Another important positive change will be the increase in the qualifications of all organizations that have decided to enter international markets - the issuance of bonds imposes obligations on information disclosure, regular reporting, which should improve the quality of corporate governance, planning and budgeting. Local businessmen and the population interested in earning additional income in the stock market will significantly increase their knowledge of both the basic tools and principles of its work, as well as best practices, which, of course, should be transferred to our market. Government Eurobonds, domestic loan bonds, corporate debt securities and capital development will later lead to the emergence of various types of derivatives and swaps. If at the initial stage a significant part of the market can be accounted for by foreign investors and trade on foreign markets, then with the expansion of the number of issuing companies, the number and types of investors, the local market should also increase its volume and take its place in a number of developed markets.

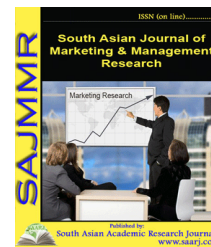
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THE STUDY OF DETERMINANTS AFFECTING THE WORTH OF HOUSING IN PAKISTAN

Dr. Sabahat Subhan*; Dr. Eatzaz Ahmad**

*Assistant Professor,
Department of Economics,
National University of Modern Languages,
Islamabad, PAKISTAN
Email id: sabahatsubhan@yahoo.com

**Professor / Dean
Department of Economics,
Quaid-i-Azam University,
Islamabad, PAKISTAN
Email id: eatzazahmad@yahoo.com

ABSTRACT

This paper provides an in-depth analysis of quality of housing in Pakistan based on micro-level household data of 2004-05. This study analyzes the differences in quality of housing among different households in urban areas, rural areas and in overall Pakistan. The quality of the housing is estimated through Ordinary Least Square method. The results indicate that some variables have a significant effect on the quality of housing in rural Pakistan and some other variables are significant in the urban Pakistan and overall Pakistan. The stepwise elimination procedure is applied to drop insignificant variables. Household demography, education and income have strong influence on choice of quality of housing.

KEYWORDS: Homeownership, Quality of Housing, Pakistan JEL Classification: R21, R22 and R29

1.1 INTRODUCTION

Housing condition whether renting or home ownership in Pakistan, in terms of both quantity and quality, are generally poor. Housing and living conditions in Pakistan show congestion and non-availability of various housing facilities. In view of the high and increasing rate of population growth, it is imperative that the rate of the construction of houses as well as quality of houses be raised and accelerated.

This paper analyzes the differences in quality of housing among different households in urban areas, rural areas and in overall Pakistan with a view to access their standards of living. The literature suggests that a set of factors combined together can explain the variations in household expenditure on housing around the world (Nazli and Sohail 2003). In developing countries in general and Pakistan in particular these factors include household size, household income, gender of household head, age of household head, education of household head and his/her spouse. However, occupation of household head and number of earners in the household has marginal or weak influences on the choice of quality of housing. In general, households' economic, demographic and social factors are presumed to be the main determinants of housing quality. The development of housing finance in developing countries and mortgage housing in developed countries has also motivated researchers to explore other factors that influence the house quality decision. The basic premix of this research is that a good life depends on a wide range of goods and services, and housing is one of the important good among them. The factors beyond demographic, economic and social aspects include financial and environmental dimensions. This paper measures the effects of various factors contributing to quality of housing in Pakistan and also analyzes difference across households' living in urban and rural Pakistan.

The plan of the paper is as follows: In section 1.2 the sources of data are given. In section 1.3 the empirical methodology is presented. Section 1.4 presents the empirical results of analysis with an entire set of variables. The results with those variables with significant impact on housing quality are discussed in section 1.5. Section 1.6 concludes the paper.

1.2 Data Sources

The data for this study are taken from *the Household Integrated Economic Survey (HIES) 2004-05*.¹ The universe of *HIES* consists of all urban and rural areas of all the four provinces (Punjab, Sindh, KPK, Balochistan) as defined by the provincial governments. Military restricted areas have been excluded from the scope of the Survey. The total number of households surveyed in *HIES* is 14244 of which 5658 households are from urban areas and 8586 households are from rural areas.

Boehm (1995) employs data from the 1985-1989 *American Housing Survey* to compare the cost and perceived structural quality of owning manufactured housing with traditional rented and owner-occupied housing alternatives. In general, manufactured housing is found to compare to traditional alternatives because of its low cost and households' perceptions that its structural quality is relatively better. An ordinal Probit model is used to examine the way in which specific structural attributes affect households' ordinal ranking of overall structural quality. This experimentation suggests that the same factors are important across all tenure types in influencing perceived structural quality. In addition, it is demonstrated that under the right circumstances manufactured housing could be a cost-effective way to improve the quality of housing for low-income families who currently rent.

The determinants of housing demand as researched by neoclassical housing economists are principally income, price and taste. Household demographic characteristics such as age, household size, sex, marital status and residential location are used to proxy the effects of taste factors on housing consumption. Occupation, education of the head and his/her spouse and numbers of household head's children going to school are included in housing demand models on the grounds that they influence the future income potentials of the households.

The variables such as age, marital status, sex of household head, household size, education of household head and his/her spouse, number of earners in family, region, number of children in schools, and occupation of the household's head may also be affecting tenure choice. Generally, these variables relate to the household's status in the life cycle and the degree to which it is mobile or settled.

1.3 Methodology

The idea of using household characteristics as determinants of housing consumption decision is intuitive as we observe some connection in homeownership and household socioeconomic conditions, for example, household with higher income and more education may prefer to own a house rather than rent it in. In choosing these determinants we have considered the standard practice in the literature and the particular socioeconomic situation prevailing in Pakistan. The data availability on these variables is important to finally choose the set of determinant.

The dependent variable is quality of housing, which is measured by the market value of the house. If the household is homeowner then market rent of the house for one month is taken as the quality of the house. If the head is living in a rent occupied house then actually paid monthly rent of the house is taken as the quality.

The independent variables are classified into six categories. These are a) demographic variables, b) variables describing marriage of the head of the household, c) education related variables, d) economic variables, and e) variables describing occupation of the head of the household, and f) a dummy variable describing residential location of the head of the household. In addition, all the independent dummy variables are interacted with homeownership, which is defined as housing tenure choice assigning the value of one to homeownership and zero to rent occupied houses. The interacted independent variables are also classified into six categories as above. The list of independent is given in Table 1.1.

TABLE 1.1 DESCRIPTION OF DEPENDENT AND INDEPENDENT VARIABLES

Notation	Description	Measurement
Dependent Variable		
Q	Quality of housing	Count
Independent Variables: Household's Demography		
N	Number of household members	Count
G	Gender of the head of the household	= 1 if head of the household is male = 0 otherwise
A	Age of head of the household	Years
Independent Variables: Head of the Household's Marriage		
M _n	Head of the household's state never married	as= 1 if head of the household is never married = 0 otherwise
M _{d,w}	Head of the household's state divorced or widower	as= 1 if head of the household is divorced/widower = 0 otherwise
Independent Variables: Household's Education		
S	Number of Children going to school	Count

E _{h_5}	First education category of head of the household	= 1 if household head has five–nine years of schooling = 0 otherwise
E _{h_10}	Second education category of head of the household	= 1 if household head has secondary and high secondary education = 0 otherwise
E _{h_B}	Third education category of head of the household	= 1 if household head has bachelor’s degree = 0 otherwise
E _{h_P,H}	Fourth education category of head of the household	= 1 if household head has professional and higher degree = 0 otherwise
E _{s_5}	First education category of spouse of the head of the household	= 1 if household head’s spouse has five-nine years of schooling = 0 otherwise
E _{s_10}	Second education category of spouse of the head of the household	= 1 if household head’s spouse has secondary and high secondary education = 0 otherwise
E _{s_B}	Third education category of spouse of the head of the household	= 1 if household head’s spouse has bachelors or higher education = 0 otherwise

Independent Variables: Economic Status of Household

Y _h	Monthly income of the head of the household	Thousand rupees
Y _f	Monthly household income other than income of the head of the household	Thousand rupees
E	Number of earners in the household	Count

Independent Variables: Occupation of the Head of the Household

O _p	First occupation category of the head of the household	= 1 if head of the household is professional = 0 otherwise
O _{t,c}	Second occupation category of the head of the household	= 1 if head of the household is technician/associate professional/clerk = 0 otherwise
O _w	Third occupation category of the head of the household	= 1 if head of the household is service/shop/sale/skilled agriculture/fishery/craft/trade/plant/machinery/elementary workers = 0 otherwise
O _o	Fourth occupation category of the head of the household	= 1 if head of the household is any other profession = 0 otherwise

Independent Variables: Residential location of the Household

R Residence category of the household located in urban region
 = 1 if household located in urban region
 = 0 otherwise

All independent variables other than the residential dummy are interacted with the homeownership dummy.

The relationship between quality of housing and its determinants is as follows.

$$Q = f(N, G, A, M_n, M_{d,w}, S, E_{h_5}, E_{h_{10}}, E_{h_B}, E_{h_{P,H}}, E_{s_5}, E_{s_{10}}, E_{s_B}, Y_h, Y_f, E, O_p, O_{t,c}, O_w, O_o, R, H, HN, HG, HA, HM_n, HM_{d,w}, HS, HE_{h_5}, HE_{h_{10}}, HE_{h_B}, HE_{h_{P,H}}, HE_{s_5}, HH_{s_{10}}, HH_{s_B}, HY_h, HY_f, HE, HO_p, HO_{t,c}, HO_w, HO_o, HR)$$

Where Q indicates the quality (expenditure/market value) of the household and it is measured by rent/imputed rent of the household. The entire analysis will also be conducted separately for the rural and urban areas of Pakistan and for the overall Pakistan.

1.4 The Results of Estimation

Three sets of results are reported in this section, one each for urban, rural and overall Pakistan. Table 1.2 shows that with only few exceptions, there is not much difference in the qualitative nature of results across the urban areas of Pakistan and overall Pakistan. However, the results for rural Pakistan are quite different from urban Pakistan due to different characteristics of rural household. It appears that the most important set of independent variables affecting the quality of housing is household demography, households' education, and economic status of the household and residential location of the household.

The independent variables of the model are interacted with homeownership. It shows that the important variables affecting the quality of housing when interacted with the homeownership dummy include a few variables in the sets of household head's spouse education and economic status of the family.

The results indicate that some variables have a significant effect on the quality of housing in rural Pakistan and some other variables are significant in the urban Pakistan and overall Pakistan. These results give insight on how variations in household characteristics explain the difference in the housing quality in the rural and urban areas of Pakistan.

Table 1.2 shows that in the first group of independent variables (household demography), the household size has a positive but insignificant effect on the quality of housing in rural areas of Pakistan. The estimation shows that as the number of household members increases the quality of housing also increases but this relationship is somewhat seen in rural areas only. In urban areas and overall Pakistan, the number of household members has negative but quite insignificant effect on the quality of housing. It shows that if the number of household members increases, households do not change their resource allocation between housing and other goods, which include the necessities like basic foods, clothing and fuels. It might be because of space constraints and greater regulation of home extensions in urban areas.

Households headed by males on average tend to choose lower quality homes as compared to those headed by females in rural as well as urban Pakistan, but the relationship is insignificant in rural areas. This is an expected result because on average females spend a greater portion of time at homes as compared to males, especially in urban areas. It might be because more co-

resident members of the female headed households are economically active compared to their counterparts in the male-headed households (See, for example, Morada, *et al.* (2001). Next, age of the household head has positive and significant effect on quality of housing in urban as well as rural Pakistan, though the effect is insignificant in rural Pakistan. This is expected because older age people settle down and need greater security of the shelter.

The never married heads of the household tend to occupy cheaper homes as compared to currently married household heads but the difference is statistically significant in urban areas only. It may be noted here that the effect of household size has been controlled separately. Thus a possible interpretation of this result is that in rural areas where housing is much cheaper, marital status of household head does not matter, whereas in urban areas married household heads, mostly being fathers are more likely to provide better housing facilities to their members. The result further show that divorcee/widow/widower household heads do not show any significant difference in behavior as compared to married heads when it comes to the choice of housing quality. Therefore, the results suggest that marital status of household head does not have much significant role in the choice of housing quality.

The third group of the variables is household education. Household education includes a number of household's children going to school, education level of the head of the household and education level of his/her spouse. The number of household head's children going to school has quite an insignificant effect on the quality of housing in rural and urban areas of Pakistan.

The education level is classified into five categories, zero–four years of schooling, five-nine years of schooling, 10–11 (secondary and higher secondary), bachelor degree and professional degree/higher education. The base category is zero–four years of schooling. Head's education has positive but somewhat insignificant effect on the quality of housing for five-nine years of schooling in rural and urban areas of Pakistan. In overall Pakistan, head's education has a positive and significant effect on the quality of housing for five-nine years of schooling. Households with secondary and high secondary years of schooling of the head spend more on housing as compared to those with zero-four years of schooling both in rural and urban areas but the difference is more significant in urban areas. The same pattern holds for the education category of bachelor's degree. The effect of education of household head on the quality of the house occupied keeps on increasing with the higher levels of education among urban households, while the relationship turns negative, though insignificant, among rural households. The general conclusion that emerges here is that educated household head tend to allocate a greater proportion of income on quality housing and this tendency gets more pronounced at higher levels of education. On the other hand, education of the household head does not seem to have any significant role in the allocation of income to housing in rural areas, where housing demand is not as much a matter of choice as it is a matter of tradition and inheritance.

The regression results show that the education level of the spouse of household head also matters significantly. Specially, the households in which spouses have 10 years or higher levels of schooling tend to spend more on housing. Thus, we can conclude that the households with educated heads or their spouses have on average stronger demand for quality of housing as compared to other consumer goods. That is, educated decision makers in household consider good residence more important than other means of well-being such as food, clothing, transport, etc., Considered collectively.

Estimation shows that the income of the head of the household has a positive but insignificant effect on the quality of housing in rural areas but positive and significant effect in urban areas and overall Pakistan. Income of other household members has a positive and insignificant effect on the quality of housing in rural areas of Pakistan but it has a positive and significant effect in urban areas and in overall Pakistan. As income of other family members other than head increases, the quality of housing also increases significantly. Income whether household income or the income of the head of the household has a positive but insignificant effect on the quality of housing in rural areas. In rural areas of Pakistan, there may be two types of effect of income on quality of housing. One effect is positive, that is the increase in household income causing people to have better quality houses. The second one effect is the negative effect of income on quality of housing, which may be the result of specific categories of rural households who are less likely to spend a significant amount on quality of housing United Nations Development Program (2000). These two effects cancel each other and the resulting effect is positive but insignificant.

The number of earning members in the household has negative but insignificant effect on the quality of housing in rural areas of Pakistan but it has positive and somewhat significant effect in urban areas of Pakistan. The number of earning members increases the quality of housing positively and significantly in overall Pakistan.

Homeowners tend to live in lower quality homes as compared to renters but the difference is statistically insignificant.

Coming now to the role of occupation of household head on housing quality, the results show that occupation does not matter in rural areas. On the other hand, households whose heads are professionals, technicians/associate professionals/clerks, service/shop/sale/skill agriculture/fishery/craft/trade/plant/machinery/elementary workers or full in the category of 'any other profession' tend to spend significantly less on housing as compared to the base category of senior officials and managers. The same result holds for the overall sample for Pakistan. Thus the main finding here is that in urban Pakistan, senior officials and managers tend to spend significantly more on housing quality as compared to all other occupational categories. Since the effect of income has been controlled separately, the results indicate that it is the social status and the nature of social contact of senior officials and managers as compared to the other occupational categories, especially blue collar workers, clerks, etc., that calls better quality housing.

The results show that on average urban households spend more on quality of housing than the rural households. It obviously implies that houses are more expensive in terms of rent in urban areas as compared to rural areas.

As stated earlier, all independent variables are interacted with homeownership status of the household. In the first group, demographic variables are included; the first variable is the number of persons in the household. The effect of household size on the quality of housing, which is found to be insignificant among renters, does not change much when we consider homeowners, though the results indicate that the quality effect of household size is somewhat better among the homeowners. The negative effect of household head being a male rather than female on home quality in rural Pakistan observed for renters is completely offset when we consider the same for homeowners. On the other hand, the negative effect of household head being male, rather than female remains negative and significant both among renters and

homeowners. The positive effect of age of the household head on the quality of housing is found to be significant among renters in urban and overall Pakistan but it turns out to be insignificant when we consider homeowners. The results indicate that the effect of age of the household head on quality of housing is insignificant among renters and homeowners in rural areas, though the estimation shows that the age effect on housing quality is better among renters. The results indicate that the interaction of homeownership on demographic group has no significant impact on the quality of housing.

The negative effect of never married household head rather than currently married on home quality for renters is cancelled out when we consider the same for homeowners. Thus, there is the positive and insignificant effect of never married household head as compared to currently married household head among homeowners. The results show that the positive effect of divorcee/widow/widower household head rather than currently married on home quality among renters in rural Pakistan is offset when we analyze homeowners. On the other hand, the negative effect of divorced/widow/widower household head as compared to currently married household head on house quality in urban and overall Pakistan for renters is coming out to be positive for homeowners. The results are same to some extent for marital status group when quality of housing is considered without interaction of homeownership.

Consider now the variables related to household's education. The effect of the number of household head's children going to school is positive and insignificant on the quality of housing in rural and urban Pakistan for renters which is counterbalanced when we consider the case of homeowners. Next, the results show that there is no significant difference in the role of household head's education level in influencing home quality decision between renters and homeowners. Thus, in both categories of home occupants the households headed by more educated persons tend to spend more on home quality, especially in the urban sample and, hence, in the overall Pakistan. This result again confirms the observation that education makes households more aware and concerned with the importance of housing quality for welfare of household members and this observation holds both for renters and homeowners. Now consider the education level of the spouse of the household head. The results show that the role of spouses' education up to moderate level – five-nine years of schooling or secondary/higher secondary level of education – in determining home quality is not significantly different across renters and homeowners. However, for the higher (bachelor) level of spouse's education the difference between renters and homeowners are quite sharp. In particular, the significantly higher housing quality among the households with bachelors education among renters in the rural samples appears to be almost absent among homeowners. The reason could be that in rural areas homeownership is mostly acquired through inheritance and, hence education level of the spouse does not matter in this regard. This result shows that none of the characteristics that pertain even to the household head would matter. In other words, we face insignificant results for almost all regressors in the rural areas. On the other hand, the positive and significant effect on bachelor educated spouses on home quality observed among renters in the urban sample is further accentuated among homeowners. Thus, in the urban areas, where homeownership is acquired by deliberate decision, education level of spouse matters more in choosing the quality of owning homes than it would matter for choosing the quality of a rented home.

Regarding the role of economic variables in home quality decision an interesting pattern is observed. In rural areas where the joint family system is relatively more prevalent, income level

of 'other' household members has positive and significantly greater effect on the quality of owner-occupied homes as compared to rented homes. On the other hand, in urban areas it is the income level of household head that has positive and significantly greater effect on the quality of owner-occupied homes as compared to rented homes. The effect of number of earners in the household on the quality of housing is insignificantly among renters and it does not differ much when we consider homeowners. This pattern holds both in rural and urban areas.

The results show that the regression coefficients of all the interactive terms of homeownership dummy and occupation dummies are statistically insignificant, indicating that role of occupation of household head in choosing home quality does not differ between renters and homeowners.

Finally, the results show that urban households tend to occupy significantly more valuable homes than the rural households and this difference is more pronounced among homeowners as compared to renters.

TABLE 1.2 ESTIMATES OF THE QUALITY OF HOUSING EQUATION

Explanatory Variable	Description	Rural	Urban	Pakistan
Constant		0.863 (2.035))*	1.025 (2.305))*	1.368 (4.037))**
Independent Variables: Household's Demography				
N	Number of household members	0.098 (1.746))	- 0.049 (-1.466))	- 0.016 (-0.587))
G	= 1 if head of the household is male = 0 otherwise	- 0.036 (-0.659))	- 0.075 (-2.184))*	- 0.083 (-3.006))**
A	Age of head of the household	0.029 (0.623))	0.061 (2.041))*	0.063 (2.590))**
Independent Variables: Household Head's Marriage				
M _n	= 1 if head of the household is never married = 0 otherwise	- 0.001 (-0.018))	- 0.007 (-3.364))**	- 0.006 (-0.384))
M _{d,w}	= 1 if head of the household is divorced/widower = 0 otherwise	0.003 (0.063))	- 0.050 (-1.544))	- 0.036 (-1.452))

Independent Variables: Household's Education

S	Number of children going to school	0.019 (0.371)	0.007 (0.259)	- (-0.693)
E _{h_5}	= 1 if household head has nine-nine years of schooling = 0 otherwise	0.066 (1.416)	0.042 (1.569)	0.045 (2.013)*
E _{h_10}	= 1 if household head has secondary and high secondary education = 0 otherwise	0.112 (1.837)	0.063 (2.183)*	0.071 (3.104)**
E _{h_B}	= 1 if household head has bachelor's degree = 0 otherwise	0.088 (1.606)	0.128 (4.603)**	0.131 (6.386)**
E _{h_P,H}	= 1 if household head has professional and higher degree = 0 otherwise	- 0.023 (-0.314)	0.187 (6.218)**	0.183 (8.546)**
E _{s_5}	= 1 if household head's spouse has five-nine years of schooling = 0 otherwise	- 0.008 (-0.154)	0.043 (1.663)	0.039 (2.088)*
E _{s_10}	= 1 if household head's spouse has secondary and high secondary education = 0 otherwise	0.031 (0.646)	0.088 (3.501)**	0.091 (1.169)**
E _{s_B}	= 1 if household head's spouse has bachelors or higher education = 0 otherwise	0.465 (6.467)**	0.073 (2.990)**	0.081 (4.919)**

Independent Variables: Economic Status of Household

Y _h	Monthly income of the head of the household	0.011 (0.311)	0.044 (3.346)**	0.060 (3.864)**
Y _f	Monthly household income other than income of the head of the household	0.021 (0.820)	0.227 (4.787)**	0.114 (4.820)**
E	Number of earners in the household	- 0.042 (-0.827)	0.053 (1.879)	0.059 (2.424)*
H	=1 if head of the household is homeowner =0 otherwise	- 0.020 (-0.328)	- 0.134 (-1.780)	- 0.053 (-1.161)

Independent Variables: Occupation of the Head of the Household

O _p	= 1 if head of the household is professional = 0 otherwise	0.021 (0.295)	- 0.078 (- 3.061) **	- 0.127 (- 5.939)* *
O _{t,c}	= 1 head of the household is technician and associate professional and clerk = 0 otherwise	0.005 (0.070)	- 0.143 (- 1.184) **	- 0.202 (- 9.794)* *
O _w	= 1 if head of the household is service/shop/sale/skilled agriculture/fishery/craft/trade/plant/machinery/elementary workers = 0 otherwise	- 0.032 (- 0.414)	- 0.132 (- 3.333) **	- 0.273 (- 8.381)* *
O _o	= 1 if head of the household is in 'any other profession' = 0 otherwise	- 0.049 (- 1.123)	- 0.070 (- 2.709) **	- 0.209 (- 10.277) **

Independent Variables: Residential location of the Household

R	= 1 if household located in urban Pakistan = 0 otherwise			0.173 (7.647) **
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Independent Variables: Household's Demography Interacted with 'H' (Homeownership Status)

HN	Number of household members*H	0.021 (0.336)	0.012 (0.249)	0.004 (0.115)
HG	= 1 if head of the household is male*H = 0 otherwise	0.057 (0.762)	- 0.037 (- 0.568)	0.037 (0.842)
HA	Age of head of the household*H	0.008 (0.124)	0.101 (1.676)	0.034 (0.847)

Independent Variables: Household Head's Marriage Interacted with 'H' (Homeownership Status)

HM _n	= 1 if head of the household is never married*H = 0 otherwise	0.001 (0.024)	0.019 (0.978)	0.012 (0.746)
HM _{d,w}	= 1 if head of the household is divorced/widower*H = 0 otherwise	- 0.004 (-)	0.028 (0.864)	0.032 (1.291)

0.081)

Independent Variables: Household's Education Interacted with 'H' (Homeownership Status)

HS	Number of children going to school*H	-	-	0.005
		0.002	0.042	(0.199)
		(-)	(-	
		0.033)	1.391)	
HE _{h_5}	= 1 if household head has 5-9 years of schooling *H = 0 otherwise	-	0.002	- 0.016
		0.023	(0.081	(-0.694)
		(-)	
		0.485)		
HE _{h_10}	= 1 if household head has secondary and high secondary education *H = 0 otherwise	-	0.035	0.006
		0.035	(1.185	(0.257)
		(-)	
		0.575)		
HE _{h_B}	= 1 if household head has bachelor's degree *H = 0 otherwise	-	-	- 0.038
		0.049	0.018	(-1.855)
		(-	(-	
		0.905)	0.644)	
HE _{h_P} , H	= 1 if household head has professional and higher degree *H = 0 otherwise	0.101	-	- 0.035
		(1.415	0.042	(-1.639)
)	(-	
			1.375)	
HE _{s_5}	= 1 if household head's spouse has 5-9 years of schooling *H = 0 otherwise	0.063	-	- 0.012
		(1.159	0.001	(-0.625)
)	(-	
			0.041)	
HE _{s_10}	= 1 if household head's spouse has secondary and high secondary education *H = 0 otherwise	0.068	0.023	0.041
		(1.423)	(0.914	(2.336)
)	*	
HE _{s_B}	= 1 if household head's spouse has bachelors or higher education *H = 0 otherwise	- 0.378	0.097	0.133
		(-	(3.962	(8.161)
		1.259)**)**	**

Independent Variables: Economic Status of Household Interacted with 'H' (Homeownership Status)

HY _h	Monthly household income of the head of the household*H	0.009	0.283	0.012
		(0.257)	(18.10	(0.752)
)**	
HY _f	Monthly household income other than income	0.071	0.030	0.115
		(2.647)*	(0.600	(4.667)

	of the head of the household*H	*)	**
HE	Number of earners in the household*H	0.063 (0.994)	- 0.022 (-0.448)	- 0.049 (-1.396)

Independent Variables: Occupation of the Household Head Interacted with 'H' (Homeownership Status)

HO _p	= 1 if head of the household is professional*H = 0 otherwise	- 0.083 (-1.181)	- 0.011 (0.441)	0.007 (0.326)
HO _{t,c}	= 1 head of the household is technician and associate professional and clerk*H = 0 otherwise	- 0.045 (-0.643)	0.030 (1.197)	0.028 (1.448)
HO _w	= 1 if head of the household is service/shop/sale/skilled agriculture/fishery/craft/trade/plant/machinery/elementary workers *H = 0 otherwise	- 0.092 (-1.318)	0.016 (0.413)	0.012 (0.381)
HO _o	= 1 if head of the household is in 'any other profession'*H = 0 otherwise	0.067 (0.587)	0.023 (0.789)	0.043 (0.215)

Independent Variables: Residential location of the Household Interacted with 'H' (Homeownership Status)

HR	= 1 if household located in urban Pakistan*H = 0 otherwise			0.046 (2.010) *
R-squared		0.293	0.605	0.578
Standard Error		7417.8	34807	24469.7
		06	.560	12

Note: The dependent variable is set equal to quality of housing. The statistics significant at 5% and 1% levels are indicated by * and ** respectively. Figures in the parenthesis show t-statistics of the estimates.

1.5 Empirical Results with Theil Benchmark Criterion (or with Significant Factors)

The stepwise elimination procedure is applied to drop insignificant variables in the light of Theil's Benchmark Criterion. For the sake of comparison, we have retained all such variables in the final equations, which have absolute t-values greater than one in any of the three equations for rural, urban, and overall Pakistan.

The final estimates obtained with this procedure are presented in Table 1.3. Here it is found that some parameters remain insignificant at 5% and 1% level, although their 't' statistics are greater than 1 in absolute terms. It is observed that estimated regression parameters remain highly stable

after insignificant variables were dropped from the parameters estimates obtained under any of the three areas are highly robust.

Again the results suggest that some variables have a significant effect on the quality of housing in rural areas and some are in urban areas and overall Pakistan.

The results show that out of the 43 variables in each of the three original equations, 13 variables have been dropped to leave 30 variables in each finally estimated equation. Further note that out of a total of 91 estimated parameters in the final results only four have changed the signs and only one such parameter turns out to be significant in the final results. This shows a great degree of robustness of the estimates with respect to the change of specification. This is a very useful result because it indicates credibility of our model. This result also means that we do not have to repeat the full discussion of our results.

Improvement in the quality of regression results can be seen by considering the number and proportion of parameter estimates. Those are statistically significant. The results show that in the original estimates presented in Table 1.1 only about one-third (43 out of 128) parameters are statistically significant. In the final estimates presented in Table 1.3 about 60% (55 out of 91) parameter estimates turn out to be statistically significant.

The variables that are dropped through the step-wise elimination procedure includes dummy variable representing never married household heads, number of children going to school and 11 interactive variables, two from the category of household demography, two from household head's marital status, two from education dummies for household head and spouse, and all the five dummy variables representing occupation of the household head. This result implies two important conclusions. First marital status of the household head does not matter much in choosing the quality of home. Second, quite a few variables when interacted with the homeownership dummy turn out to be highly insignificant and, hence, dropped in the final estimates. Thus, the role of quite a few factors, which could have affected the quality of homes, does not differ much between homeowners and renters.

TABLE 1.3 ESTIMATES OF THE RESTRICTED QUALITY OF HOUSING EQUATION

Explanatory Variable	Description	Rural	Urban	Pakistan
Constant		0.866 (2.201)**	0.912 (2.747)**	1.286 (5.990)**
Independent Variables: Household's Demography				
N	Number of household members	0.117 (9.432)**	-0.041 (-3.083)**	-0.013 (-1.599)
G	Gender of the head of the household	0.004 (0.304)	-0.090 (-6.345)**	-0.060 (-6.781)**
A	Age of head of the household	0.014 (0.321)	0.068 (2.443)**	0.059 (2.586)**
Independent Variables: Household Head's Marriage				
M _{d,w}	= 1 if head of the household is divorced/widower = 0 otherwise	-0.000 (-0.031)	-0.025 (-1.957)*	-0.005 (-0.590)
Independent Variables: Household's Education				
E _{h_5}	= 1 if household head has 5-9 years	0.044	0.044	0.034

	of schooling = 0 otherwise	(4.002)**	(3.597)**	(4.558)**
E _{h_10}	= 1 if household head has secondary and high secondary education = 0 otherwise	0.115 (1.992)*	0.063 (2.515)**	0.096 (4.849)**
E _{h_B}	= 1 if household head has bachelor's degree = 0 otherwise	0.090 (1.697)	0.129 (4.957)**	0.144 (7.480)**
E _{h_P,H}	= 1 if household head has professional and higher degree = 0 otherwise	-0.035 (-0.517)	0.189 (6.701)**	0.195 (9.657)**
E _{s_5}	= 1 if household head's spouse has 5- 9 years of schooling = 0 otherwise	0.053 (4.876)**	0.038 (3.316)**	0.032 (4.282)**
E _{s_10}	= 1 if household head's spouse has secondary and high secondary education = 0 otherwise	0.058 (1.335)	0.090 (3.777)**	0.098 (5.835)**
E _{s_B}	= 1 if household head's spouse has bachelors or higher education = 0 otherwise	0.459 (6.451)**	0.077 (3.281)**	0.089 (1.542)**
Independent Variables: Economic Status of Household				
Y _h	Monthly income of the head of the household	0.013 (0.375)	0.044 (3.355)**	0.064 (4.084)**
Y _f	Monthly household income other than income of the head of the household	0.021 (0.830)	0.226 (4.877)**	0.121 (1.151)**
E	Number of earners in the household	-0.046 (-1.091)	0.047 (1.872)	0.055 (2.547)**
H	=1 if head of the household is homeowner =0 otherwise	-0.014 (-0.262)	-0.120 (-2.063)**	-0.091 (-2.527)**
Independent Variables: Occupation of the Head of the Household				
O _p	= 1 if head of the household is professional = 0 otherwise	-0.060 (-2.826)**	-0.070 (-4.631)**	-0.121 (-11.127)**
O _{t,c}	= 1 head of the household is technician and associate professional and clerk = 0 otherwise	-0.039 (-1.854)	-0.118 (-6.685)**	-0.177 (-14.672)**
O _w	= 1 if head of the household is service/shop/sale/skilled agriculture/fishery/craft/trade/plant/ machinery/elementary workers = 0 otherwise	-0.073 (-1.076)	-0.107 (-3.020)**	-0.273 (-9.373)**
O _o	= 1 if head of the household is in	-0.050	-0.072	-0.209

	any other profession = 0 otherwise	(-1.128)	(-2.840)**	(-10.366)**
Independent Variables: Residential Location of the Household				
R	= 1 if household located in urban areas = 0 otherwise			0.169 (8.612)**
Independent Variables: Household's Demography Interacted with 'H' (Homeownership Status)				
HA	Age of head of the household*H	0.028 (0.477)	0.081 (1.451)	0.039 (1.049)
Independent Variables: Household's Education Interacted with 'H' (Homeownership Status)				
HS	Number of Children going to school*H	0.017 (1.404)	-0.037 (-2.733)**	-0.012 (-1.486)
HE _{h_10}	= 1 if household head has secondary and high secondary education *H = 0 otherwise	-0.038 (-0.654)	0.035 (1.390)	-0.016 (-0.830)
HE _{h_B}	= 1 if household head has bachelor's degree *H = 0 otherwise	-0.051 (-0.967)	-0.018 (-0.711)	-0.048 (-2.542)**
HE _{h_P,H}	= 1 if household head has professional and higher degree *H = 0 otherwise	0.115 (1.673)	-0.043 (-1.541)	-0.044 (-2.232)*
HE _{s_10}	= 1 if household head's spouse has secondary and high secondary education *H = 0 otherwise	0.042 (0.964)	0.020 (0.825)	0.036 (2.142)*
HE _{s_B}	= 1 if household head's spouse has bachelors or higher education *H = 0 otherwise	-0.373 (-1.234)**	0.092 (3.894)**	0.127 (7.997)**
Independent Variables: Economic Status of Household Interacted with 'H' (Homeownership Status)				
HY _h	Monthly household income of the head of the household*H	0.007 (0.205)	0.282 (18.084)**	0.008 (0.529)
HY _f	Monthly household income other than income of the head of the household*H	0.071 (2.678)**	0.031 (0.640)	0.108 (4.437)**
HE	Number of earners in the household*H	0.068 (1.222)	-0.011 (-0.266)	-0.041 (-1.346)
R-squared		0.293	0.605	0.576
SE of Estimate		7414.986	34790.95	24521.285

Note: The dependent variable is set equal to quality of housing. The statistics significant at 5% and 1% levels are indicated by * and ** respectively. Figures in the parenthesis show t-statistics of the estimates.

1.6 CONCLUSION

The results of analysis give more insight about the factors that determine the quality of housing. Household demography, education and income have strong influence on choice of quality of housing. The marital status of household head has marginal role and occupation of the household head has almost no role to play in determining the quality of homes occupied by households.

The results show that the number of household members is more likely to increase the quality of housing in rural Pakistan as compared to urban areas and overall Pakistan. The households headed by male as compared to female spend less on the quality of housing in urban and overall Pakistan. The effect of age of the household head on quality of housing in urban and overall Pakistan indicates that as the age of the head of the household increases, the quality of housing also increases. The most interesting result is that the education level of household head and spouse influences the quality of housing positively, especially in urban Pakistan. Another expected finding is that income of households and increases in number of earning members also positively influence the quality of housing in urban and overall Pakistan. Homeowners as compared to renters tend to occupy cheaper homes, suggesting that the households who live in owned houses are tending to settle for lower quality homes.

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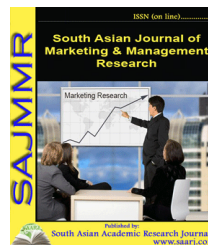
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POSSIBILITIES OF INNOVATIONS IN TOURISM OF THE REGION

D.Khuday Berganov*; **N.Fayzullaev****; **S.Matkulieva*****; **K.Atabaeva******;
A.Rakhimbaev*****

*Ph.D., Associate Professor,
Head of Tourism Department,
Urgench State University, Urgench, UZBEKISTAN

**Ph.D., Associate Professor,
Head of Hotel Hospitality Department,
Urgench State University, Urgench, UZBEKISTAN

***Senior Lecturer,
Department of Hospitality Management,
Urgench State University, Urgench, UZBEKISTAN

****Lecturer,
Department of Tourism,
Urgench State University, Urgench, UZBEKISTAN
Email id: dilshodx@bk.ru

ABSTRACT

The article evaluates the role of innovation in tourism, describes the state of innovation activity in tourism and its implications, and analyzes the development and potential of innovation in tourism in the Khorezm region.

KEYWORDS: *Innovation, Innovation Activity, Marketing Innovation, Periodic Innovations, Market, Tourism Activities, Knowledge Management, Software, Strategy, Staffing, Product Of Innovation.*

INTRODUCTION

At present, the region is implementing a stage of creation of high-tech, promising and promising industries that can create competitive instruments for domestic and international markets. As a result it is possible to determine the development of national innovation system and its integration into the world scientific and technical system. This will provide a direct transition to a new innovative model of economic development of the country. However, the innovative activities of the entities operating in the regions of the country require the introduction of new and improved production practices, minimizing the cost of producing products, creating

environmentally friendly and manufactured products, and continuously improving their consumption and quality characteristics. This is achieved through the use of innovation.

Innovation as an index plays an important role in the ranking of countries. This is the Global Innovation Index as a global research and development rating for other countries. It is based on the methodology of the French International Business School. The study has been conducted since 2007 as part of the joint project of INSEAD International Business School, Cornell University and the World Intellectual Property Organization, and currently presents the most comprehensive set of innovative development indicators in different countries. This is the case with the Innovation Index survey conducted in 2019 in 129 countries [1].

MATERIALS AND METHODS

Further enhancement of efforts to modernize the economy in Uzbekistan is determined by the continuity and scale of innovation processes in the manufacturing and service sectors. This is evidenced by the introduction of innovative productions, inventions and projects, the production of high-tech products, and the need for innovation. Because, today, innovative factors are the basis for future economic growth and competitiveness of the country [2].

Each sector's development is supported by factors. In particular, innovation in tourism is not spontaneous and develops by factors that determine its development. Accordingly, there are the following factors defining innovative development in tourism:

- market conditions and competition in domestic and international markets;
- level of development of the environment or science and technology, legal and regulatory framework, political and economic stability;
- personnel or scholars, specialists, businessmen, managers, political figures and civil servants;
- resources or natural, manufacturing, financial, scientific, technical, technological and infrastructure.

It also shows that the implementation of innovative activities in tourism enterprises depends on the effectiveness of its activities and the level of development of institutional frameworks that form the effective legal framework within the laws aimed at improving the innovation environment. That is why innovations in tourism play an important role. Because innovation can attract tourists as a new product, event or behavior on the market. The main purpose of innovation is to meet the needs of tourists and to generate income for the entrepreneur.

Today, as a result of the effective impact of innovations, innovative activities in various areas of tourism are developing. In particular, innovative activities in tourism include the following business and tourism development innovations, marketing innovations and periodic innovations:

TABLE 1. INNOVATION ACTIVITIES IN TOURISM [3]

Innovations related to enterprise and tourism development
reorganization and expansion of competitive organizations, human resources policy, rational economic and financial activities
Marketing innovations
meeting the needs of the target consumers and attracting missing segments of customers at a specific time
Periodic innovations

change of consumer properties of tourism product and its exclusive position in the market

According to this table, the types of innovative activities in tourism require different types of innovation in the sector. Innovations are often seen in the joint application of the tourism industry in the hospitality industry. In other words, the following key areas of innovation in tourism and hospitality are identified [4]:

- release of new types of tourism products, restaurant products, hotel services and others;
- use of new equipment and technologies for production of traditional products;
- use of new unused tourist resources, as well as unique tourists traveling to spacecraft;
- changes in the organization and production of traditional tourism, restaurant products, hotel services, etc., and new marketing and management;
- identifying and using new markets for hotels and restaurants.

Innovation in tourism is the end result of the introduction of innovations in the field in order to achieve the economic, social, environmental, scientific and technical or other effects required by society. That is, innovation is a clear result of any creative activity related to risk, which promotes and introduces products and services that are fundamentally different from the tourism market. More precisely, this is the result of opening up and developing new markets or other specific goals.

Tourist activity is not only the provision of travel services, but also a source of income for the state and many sectors of the economy. Their income exceeds that of traditional tourism, such as hotels, restaurants, transportation and other infrastructure. The nature of globalization in the industry is the widespread use of new information and telecommunication technologies to help improve efficiency and business performance, improve customer service, accelerate all operational processes, and create new marketing techniques and distribution channels.

A new direction in the activities of tourist enterprises is emerging and developing, which is called knowledge management. This area includes general knowledge monitoring, retrieval systems, retention and efficient use. And the variety of goods occupies the position in the tourism market between service providers and their consumers. Its mission is to provide individual manufacturers with integrated services to consumers as a basic and additional service. The activity of this type of tourism is connected with innovation, and later the tour companies are engaged in innovative activities.

As a result, the visibility of innovation has become clearly evident in the hospitality industry. In particular, programs such as Opera, Amadeos, Fidelio, Epitome PMS have been developed and are now being implemented, allowing automated hotel management. In addition, they use modern communication methods to promote tourism products effectively to customers. These include business websites, social media, or major online platforms popular among travelers, such as sites like Booking.com, TripAdvisor, Expedia, Cheapair, and strategic planning as an example of innovative marketing approaches.

Gradual access to individual tourism is being gradually expanded to make travel more comfortable and cost-effective. In other words, apart from tourists' travels, foreign tourists are developing their own cities. In particular, the organization of travel through modern innovative Internet services such as Airbnb, Couchsurfing, HomeAway has become more efficient and affordable.

RESULT AND DISCUSSION

The tourists carry out their own tourist activities, relying on foreign experience available to carry out innovative activities in tourism. The activities of each of these companies have their specific directions in the regions of the republic. In particular, innovation activity in tourism companies of Khorezm region is determined by the presence of new developments in tourism. In particular, during the year 2019, 87 placement facilities or 874 rooms and 2034 seats, including 28 hotels or 683 rooms and 1496 seats, and 59 family hotels or 191 rooms and 538 seats, were launched. The total number of tourist arrivals in Khorezm region in 2017-2019 was 58.

TABLE 2. NUMBER OF TOUR OPERATORS ESTABLISHED IN KHOREZM REGION IN 2017-2019 [5]

№	Name of the area	Total	The number of tour operators available		
			In 2017	In 2018	In 2019
	Total	58	21	12	25
1	Urgenchcity	24	8	6	8
2	Khivacity	17	8	4	5
3	Bagatdistrict	4	1	-	3
4	Koshkupirdistrict	2	-	-	2
5	Yangiariqdistrict	2	-	-	2
6	Urgenchdistrict	3	2	1	-
7	Khonqadistrict	1	-	1	-
8	Hazoraspdistrict	2	-	-	1
9	Khivadistrict	3	2	-	1

According to the table, there are 58 tourist companies in Khorezm region, although this figure will be 21 in 2017, 12 in 2018 and 25 in 2019. In turn, their organization and involvement in modern tourist activities dictate the need for innovative activities.

At the same time, the first phase of the project “Creation of an automated system for selling electronic tickets and visitors' records for entry into museums” was launched at the Ichan-Kala State Museum Reserve in Khiva. Tickets to the entrance to Ichan Kala, museums and some sightseeing are sold out of a single box, and access to all museums and attractions is made through smart turnstiles.

CONCLUSION

In general, the tourism industry in the region is developing in accordance with the requirements of the global tourism market. In other words, every tourist visiting the region can plan their own travel through the internet, and hotels and airlines use online services. The region also has the ability to call a taxi, book a meal, book a restaurant or find out about the destination via special mobile apps on your smartphone.

Based on the aforementioned, the following measures should be taken to broaden and enhance the role of innovative activities in tourism:

- development of innovative strategies for effective development of tourism and its wide application in practical activities;
- ensuring greater allocation of funds for the creation and implementation of innovations;

- development of knowledge and skills of industry personnel aimed at creating innovative products and training abroad;
- constant encouragement of professionals and employees who create innovative products.

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THE IMPORTANCE OF MARKETING STRATEGIES IN THE PROVISION OF PHYSICAL EDUCATION AND SPORTS SERVICES

Jalolova Dildora Jamalovna,*; Xudaybyerdiyeva Dilafroz Abidovna**;
Abbosov Bahodir Asatillayevich***; Mavlyanov Farrux Akramjanovich****

*Assistant Professor,
UZBEKISTAN

**Senior Teacher,
Department of “Management”,
UZBEKISTAN

***Senior Teacher,
UZBEKISTAN

****Teacher
Department of “Professional Psychology,
Physical Education and Sports”
Tashkent Institute of Finance, UZBEKISTAN

ABSTRACT

It is known that the service sector is a common activity, and developed countries are the most important source of income that forms the gross domestic product. And also, the more developed the service sector, the more likely it is that the health of users is such. This also means the level of profitability of the country's population. The article deals with issues related to the impact of the development of the service sector on the well-being of the population on a global scale.

KEYWORDS: *Service, Service Industry Management, Service Market, Revenue, Consumer Budget, Expensive Services, Additional Resources, Local Industry, Service Market, Inflation Rate, Political Stability And Defense Services, Standard Of Living.*

INTRODUCTION

We know that the trend of increasing the share of revenue in the service sector in GDP occurred in the experience of developed countries in 1960-1970 years. In countries where the majority are slowly developing or are now moving to the stage of development, three quarters of the population is tied to agriculture. In developed countries, on the contrary: there are 10 percent of the total population eligible for employment. Even in countries where the leading 20 do not enter

and do not take advantage of the opportunity there, at least 50 percent of the population in the service sector is busy. The share of the "service economy" in relation to GDP, in particular, was 85 percent in Luxembourg, 87 percent in France, 86 percent in the United States, 85 percent in Belgium, 83 percent in England, as well as 94 percent in some countries in Southeast Asia, including Hong Kong, 91 percent in Singapore, especially in countries that make up 4/3 percent of Yaim's For such countries, the high level of development corresponds to the types of self-sufficiency of the service sector, including financial and educational, household and tourist services, medical services, telecommunications services, etc.

Taking into account the fact that the sphere of services does not require additional resources, it is necessary to note that in addition to climbing the field, which is an important indicator of well-being and at the same time determines, it is also a significant achievement in the provision of employment with this work. After all, in a number of countries with a high level of economic prosperity of the world, the contribution of the employed population to the services sector is above 50%. In particular, in the US, this figure is about 79%, the Netherlands -78%, Great Britain - 76%, Sweden 76% , Luxembourg - 76%, Canada - 76%, Austria-75%, France-74%, Denmark-74%.

Service is a common type of activity. Almost all people are engaged in this activity. Simple services it is - to help someone in everyday life, to give advice (provide information), etc. These services do not require special knowledge and preparation. But from history it is known that since ancient times, there have been some individuals and organizations that have provided difficult and expensive services at a professional level. This required special knowledge and professional training. In the twentieth century, the service system became a wide-ranging activity of human activity. Currently, 70% of the industrialized countries are participants in the global service market.

Physical education and sports are of great importance for human perfection. Physical education and sports services, as they say, are a set of labor that is spent on strengthening the health of people, being physically harmonious in all respects, spending their free time meaningfully, carrying out services aimed at active recreation.

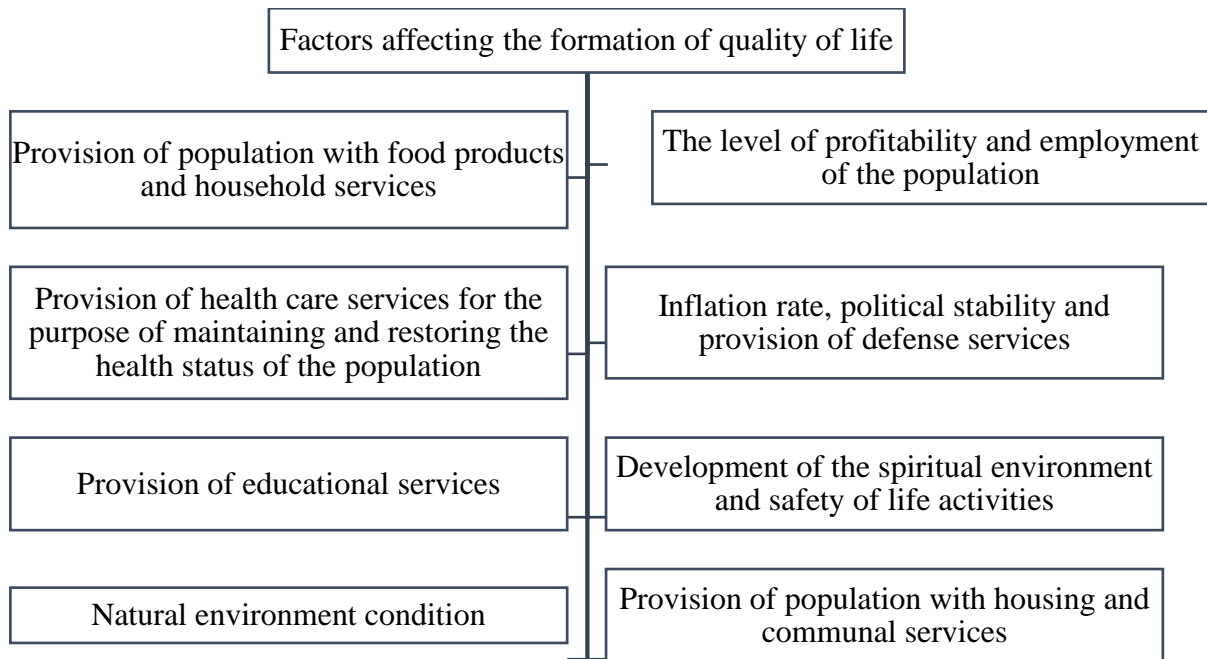
To base this definition, it is worthwhile to come up with the content of physical education and sports services.

Firstly, if these services are aimed at strengthening the health of people, and secondly, it is an expression from services that are aimed at being physically harmonious in all respects. The most important thing is that by organizing these services, this effort will be aimed at meaningful leisure of people and ensuring their active rest. Fourthly, the implementation of these services will also be through direct labor, which is spent by employees, people. Thanks to this they found also their expression in this definition of a set of Labor. So we think that this definition fully expresses the content of this type of service under study.

Analysis of literature on the topic.

Of particular importance is the provision of proportionality between the growing solvency of the population and the volume of services created in our country, the expansion and quality of service types, the establishment of reliable Consumer process among the "goods" created in the field of services and their recipients. The process of social satisfaction of needs creates

conditions for life activity of the population. These conditions are characterized by the concept of "quality of life" [2]. As we know, many factors influence the formation of quality of life.



1-drawing. Factors affecting the formation of quality of Life[3].

As a rule, developed countries of the World account for about 70% of their GDP on the basis of revenues from entrepreneurial activities in the service sector. And this is evidenced by the fact that the impact of service activities is high even in the field of entrepreneurship. In this regard, the entrepreneur bamisoli acts as a “catalyst”. Because it skillfully combines omillarni participant in any service process. In this regard K.R.McCannel and in the work of S.L.Bruce "Economics: principle, problem and politics": “an entrepreneur is a person who is not afraid to risk. He goes to rely not only on his property, but also on his own time, with the funds he has added to his partners, hissadars[4],” he said. Therefore, among the economic factors in the development of the services sector, the impact, and prestige of the entrepreneurial factor are considered high. After all, as a result of the rational activity of this factor, the essence of the above graph (1-th graph) is reflected in social well-being.

A number of factors are considered in the active development of the services sector. Scientists of the sphere differ in this group of factors in different ways. However, due to the research conducted on the marketing of services sector, K.Lavlok in his work “Marketing of services: personnel, technologies, strategies” distinguishes the following elements in the management of service organizations, which occupy the main place in the development of the sphere[5]:

- state and politics;
- changes in business;
- development of information technology;
- changes in the social sphere;
- international access of the services sector.

L.S.Demidova's article “Services in the post-industrial economy” states that apart from these achievements, the scientific and technical revolution and the structural and technological

reconstruction of material production have also had a serious impact on the development of the sphere[6].

Who conducted research in this field in our homeland M.Q.Pardaev and I.S.Ochilov[7], Z.Akbarova[8], X.M.Mamatkulov[9], J.I.Israilov, A.Q.Gapparov[10], Y.P.Urunbaeva[11], G.H.Gudrov, B.A.Abdukarimov[12], G.H.Kudretov, G.M. Combining our conclusions from the results of scientific research by a number of economists-scientists and researchers, such as Shodieva[13], we can conclude that services are the result of productive activities that change the state of consumers (legal entities and individuals) or facilitate the turnover of goods, services or financial assets. And it's not a secret at the moment that it is going directly into the field as one of the largest channels aimed at satisfying the socio-economic needs of the population, of course.

Analysis and results.

At present, systematic work on the deepening of structural transformation and diversification of our economy, employment, one of the important factors and directions of increasing the income and quality of life of our people, as well as the rapid development of the service sector is consistently continuing[14].

The result of the reforms carried out in our country is manifested in the comfortable living conditions of our people. And the ultimate product of the service sector serves this well-being, of course. In particular, the work carried out on the development of tourism through promising activities in the field of health care, the introduction of a simplified visa regime and the improvement of infrastructure, the provision of educational services to the highest level was emphasized in the appeal of the head of our country to the Senate and legislative chamber of the Oliy Majlis.

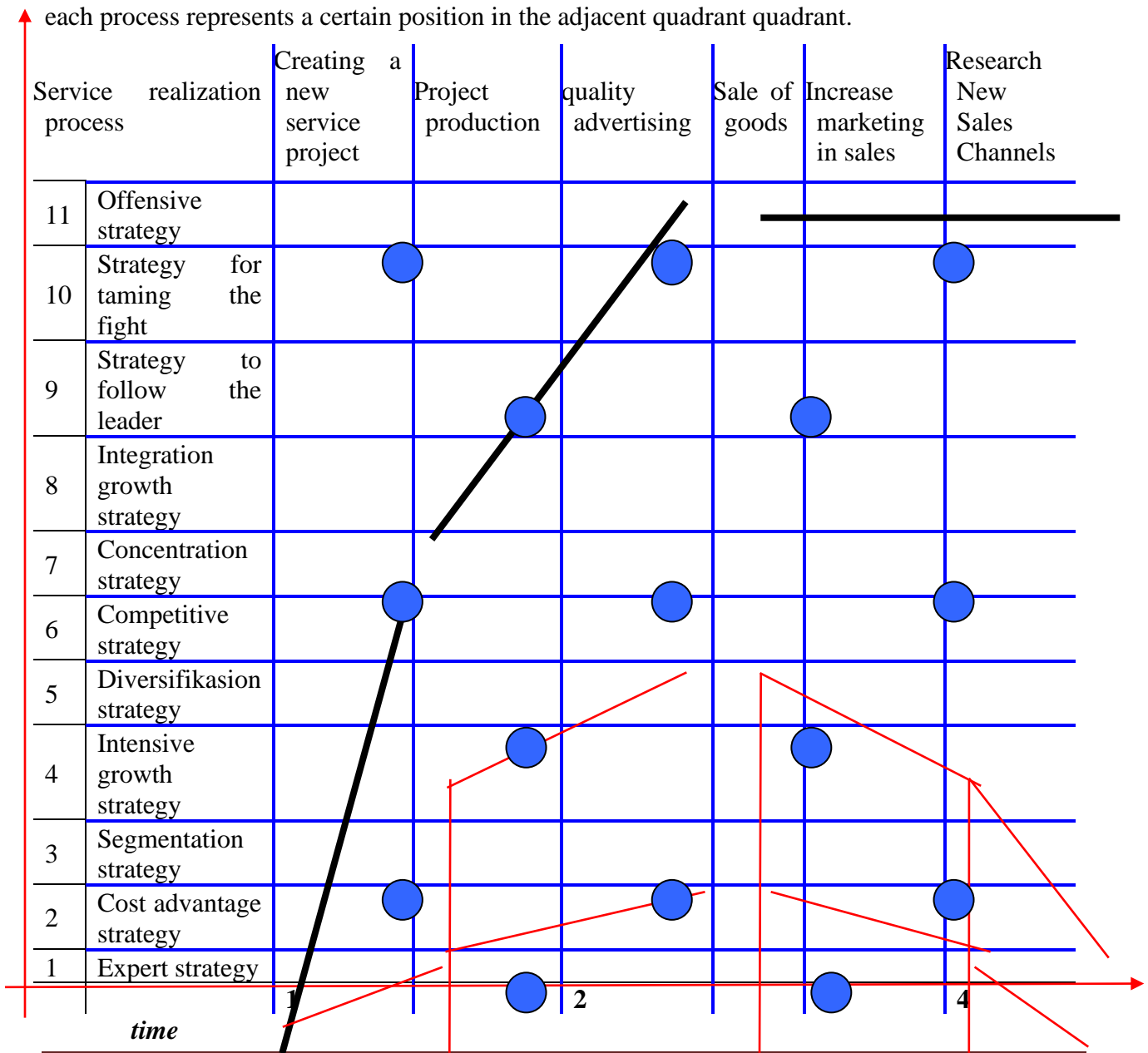
Physical education and sports services include;

- entrance tickets to sports competitions, holidays, sports-watching events, schedule and competition (matchevy) meetings, which are clearly indicated in the buildings of the sports facilities of the population, orientation to health care in sports groups and teams, general physical training, conditioning of Health, swimming, chipping and running, rhythmic and therapeutic Gymnastics, skiing and the like schools, abonement for participation in classes in clubs and;
- the amount of remuneration for training physical education and sportsmen with the intention of improving sports skills and training physical fitness, working in paid groups;
- the fee paid by the population for the use of Sports Equipment, Appliances, Equipment, Simulators, clothing and other services (bath, sauna, children's care, clothes regulation, scrubbing, physiotherapy and hot water treatment activities, etc.) to those entering their premises.

Currently, the scope of physical education and sports services is growing. Institutions of various forms of property, which carry out such services, are formed and deepened between them an atmosphere of entrepreneurship and competition. In the future, the need for such services will increase from year to year. This, respectively, creates an opportunity to further expand their scope. Most importantly, the development of these services is evidence of the development of a healthy lifestyle among the population, the emergence of their need for active rest, the increase in the quality of life. These issues constitute the ultimate goal of the socio-economic policy of our state.

In the era of today's innovative development and modernization, the improvement and rendering of entrepreneurial activity day by day is changing the needs of consumers to a different level, which in turn determines the duration of the life cycle of the service in the quality of goods in different ways.

In this regard, we have a number of economists, including M.I.Knish, V.V.Puchkov, Yu.The P. "Strategicheskoe Upravlenie Corporation " of tyutikov, E.V.Lensky's "corporate business", N.Yuldashev, D.Sobirjonova, Sh.Taking an in-depth analysis of innovative marketing strategies recognized in the manuals and textbooks of taġaganova, such as strategic management and strategic marketing, ten of them are considered as follows: In Vernon's marketing, we harmonize the theory of the cycle of viability of the Tavar and place it on a special mesh matrix, which consists of tiny quadrants. Bunda Tavar's current cycle of viability, which is valid in the economy, will look as if it is reflected in the 1st drawing without changing. Each strategy and each process represents a certain position in the adjacent quadrant quadrant.



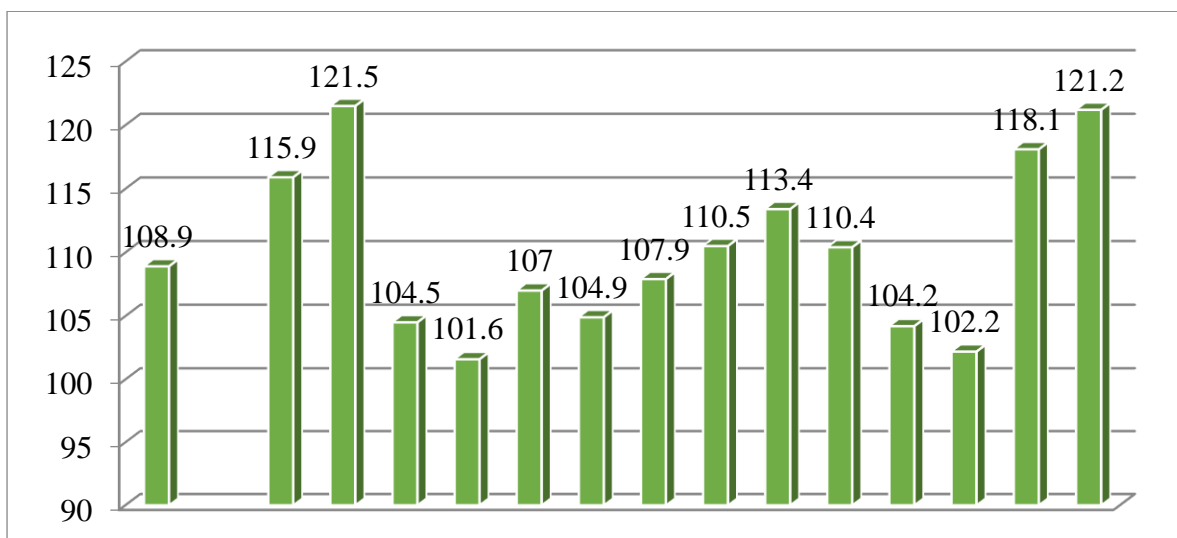
1-drawing. The order of matriculation management of the physical education and sports services life cycle on the basis of innovative strategies (created by the authors).

The process of creating a service begins with the introduction of a “specialist strategy”. If only one strategy is used during this period, the coverage of the strategies will also increase as the service life cycle continues, and most importantly, when the next strategy is applied, it will continue to move forward, not only completing its task and leaving the process, but also continuing its activities as a basis for the next strategy. And this duration of action is not extinguished by the fact that it protects the company from sharp situations in the competition struggle. In this new cycle, the viability of the commodity consists of a total of three stages: the first two stages are in the usual way, and the logistical line of the third stage continues without falling down, but with a hanging movement in a certain direction. This makes it possible to further extend the life cycle of goods, work and services.

In short, the main rule of the economy is to increase material wealth by conducting “honest” and “active” policies.

In addition, it is recommended to establish special requirements for the final list of information entering into the secret of confidential information, the criteria for entering information into the secret of confidential information, as well as the procedure for the use of this information, as well as for the Prevention of abuse of information by insiders. In the disclosure of Information, its objectivity must be ensured.

1-diagram **Changes in the volume of services rendered by the main types of economic activity [17] (In %until 1 January of the year 2019)**



In the digital data presented in this diagram, we can see that during the 2018 year there was a reverse trend in the percentage of the volume of services. However, this view of economic changes can be explained by the emergence of private entrepreneurship and the emergence of small and modern types of services. In particular, if we look at taking only one healthcare sector today, along with public institutions, the direction of private medicine is developing rapidly. Since the types of treatment activities are increased and the scope of benefits is increased, 634 medical institutions have been established in the previous year[18]. And this is more expedient if

the reduction in the types of services under the state guarantee is explained not by a reduction in the general service sector, but by the transfer into the hands of the private sector.

CONCLUSION

Until the middle of the XX century, the sphere of services was considered a relatively secondary economic activity. Although it covers a very large percentage of workers, it was mainly employees with a low level of qualification (especially in the area of trade, where services are the largest area of performance). It was precisely because of the low role of the services sector in the economy that from the XVIII century to the middle of the XX century, work in this area did not increase the wealth of society at all.

The main reasons for the fact that the level of development of the services sector was very low were the priority of the state property and the implementation on the basis of residual printing in the financing of the services sector.

In the consumer budget of the population, a very low percentage of the share of services was generated, which led to the deformation of demand and solvency in the assortment, which was incredibly limited and low-quality products. Very low quality standards in the field of living, rest and leisure have affected the development of material production. The material and technical base of enterprises in the field of services was distinguished by a primitive level (the local industry was almost not oriented to the production of the necessary equipment), the qualification of which was used by a low labor force, because in the field of services the salary was at the lowest level, and highly skilled workers would have gone to

Sustainable development in the field of services was observed in the second half of the twentieth century not only in developed, but also in developing countries. As a result, the scope of the services sector expanded, and the country occupied a large part of the GDP.

By today, the level of development of the services sector has become a criterion that determines the rapid development of society. Improving and modernizing the system of services will help improve the quality of life of the population, investment climate, business environment and the development of entrepreneurship.

Since the early years of our independence, the development of Service and service sectorstirishga as one of the important areas that increase the economic potential of the country, special attention has been paid. Because, one of the main issues in the conditions of structural transformation of the economy is the development of this sphere, as well as the increase in the level of employment of the population in the sphere. The market of services in our country is improving with the development of new types of services – tourism, banking, finance, insurance, information and communication. Also, the sharp increase in the provision of the population with complex household appliances, computers and personal vehicles has made it possible to provide them with a sharp increase in the number of services rendered. As a result of the fact that the development of services has a long history, its share in the world Yaimi content has also reached almost 70% to date.

With the development of market Relations, various types of services have been yarted. The development of various measures has intensified, realizing that attracting the consumer with the offer of services in the sale and exploitation of the commodity, marketing is the driving force of sales. The complex of services and services that make the trading of tokens is an important competitive factor in today's modern trade.

It is worth noting that a number of works are being carried out in our country today on the formation of an innovative economy, the creation of modern, world-recognized types of production and services. This is reflected in the trend of changing the share of the service sector in exports and imports to the positive side. Of course, the follow-up to this trend is undoubtedly the ultimate result of innovative approaches to this sphere and the improvement of new types of services created in accordance with world standards.

In short, service sectors have led to an increase in the total employment in the spheres of economy, such a situation is one of the important priorities that reflects prosperity, while being in proportion to the requirements of industrial innovation development of the country. The rapid development of the spheres of service in our country and the provision of increasing their role are not only an economic but also an important social issue.

The provision of services contributes to the growth of all spheres in the economy of every modern state. Paying serious attention to the sphere will make a worthy contribution to the economic development of our country in the future, of course. The sphere of Service is also an entrepreneurial activity that is initiated with the help of intelligent potential and is done with risks. A distinctive feature of other types of entrepreneurship is manifested in the presence of its social function along with its economic function.

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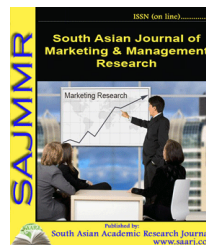
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CHANGES IN MARKET RELATIONS IN THE PERIOD OF MARKET ECONOMY AND THEIR CLASSIFICATION

Rustamov Dostonbek Jamshido'g'li*; Odilov Rakhmonjon Zokirjono'g'li**;
Rizaeva Farangiz Kholdorovna***

*Student,
Faculty of Economics,
Tashkent State University of Economics,
Tashkent, UZBEKISTAN

**Student,
Master's Department,
Tashkent State University of Economics,
Tashkent, UZBEKISTAN

***Student,
Faculty of Economics,
Tashkent State University of Economics,
Tashkent, UZBEKISTAN
Email id: dostonbekr2000@mail.ru

ABSTRACT

This article explores the history of marketing as a scientific discipline and discusses the development of early marketing examples in different eras. Also, examples of marketing definitions reflecting innovative ways of marketing communication and business opportunities are given and customers.

KEYWORDS: *Modern Marketing, New Technology, Distribution Systems, Communication And Business, Economic And Cultural History.*

INTRODUCTION

Marketing science has evolved more than a century ago - during the 1900s. The first college courses in marketing were offered in 1901- 1902 at the Universities of Illinois and Michigan and the first text-books appeared in the years 1911 - 1915 [1]. Such scholars as Hollander et al. [2] and Enright have explained that the contradictory dates for the evolution of marketing can be described by issues surrounding the approach that marketing has been defined - whether reference to 'modern marketing' as a professional practice including activities such as

segmentation, product differentiation, positioning and marketing communications versus 'marketing' as a simple form of distribution and exchange. It is only during the early twentieth century that the study of the history of marketing as an academic field emerged and marketing concepts advanced into an academic discipline.

The foundations of marketing discipline take its roots in American management literature between the 1950s and the 1960s, when some scientists started to explore some management practices and, above all, the origin of market success [4]. In this paper, we study the history of marketing science as a discipline and discuss the evolution of early marketing concepts. This will help us to understand how the discipline have evolved as a science and to comprehend the baselines upon which marketing research practices have been documented as it progressed throughout the different epochs. We provide the snapshot of keywords that are used to define marketing to depict the central focus of the concept for many decades. Subsequently, we discuss the most recent emergence and advances of new technology that is transforming marketing by offering new ways of communication and possibilities for both businesses and customers.

LITERATURE REVIEW

Historians of marketing tend to distinguish between two separate branches of marketing history - the history of marketing practice and the history of marketing thought. Accordingly:

- (a) the history of marketing practice refers to an investigation into the ways that marketing has been practiced; and how those practices have evolved over time as they respond to changing socio-economic conditions.
- (b) the history of marketing thought refers to an examination of the ways that marketing has been studied and taught.

These two branches are usually profoundly separated and have very diverse origins. The history of marketing practice is based in management and marketing studies, while the history of marketing thought is based in economic and cultural history. This means that the two branches ask very different types of research questions and employ different research tools and frameworks [2]. Although the history of marketing thought, and the history of marketing practice are separate areas of study, they might cross over at different stages [4; 5;]. Marketing practitioners can be involved in the innovative activities that attract the attention of marketing professors who organise and publicise such practices.

Concurrently, marketing academics frequently develop novel research approaches or models that are subsequently implemented by practitioners. Thus, advances in marketing theory enlighten marketing practice and vice versa. Therefore, the history of marketing will be inadequate if the academia is isolated from practitioners. Marketing has been developed largely from the fields of economics, scientific management, psychology, and accounting. Several academics claim that marketing practices can be found in ancient times while others propose that modern marketing practices have emerged along with the rise of consumer culture in seventeenth and eighteenth century in Western Europe. Scholars of marketing science have undertaken substantial investigation into the evolution of marketing. However, up till now there is little agreement about when marketing first began.

The view of scientists on the classification of the development of marketing thought vary. Some researchers suggest that contemporary marketing was only fully understood after the industrial revolution in Britain from where it later penetrated to Europe and North America, when technological advances and production growths lead to the decrease of companies' individual customer interaction and issues with surplus goods [2]. Providing a modern definition of marketing, describe practices involved with it and brief review about major transformations in this field, would be logical step before moving to the analysis of the historical evolution of the marketing concept.

Marketing is defined by the American Marketing Association Board of Directors as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”. Majority of scholars discuss marketing as performance expressed by performing marketing practices such as market research, product research and development, design, pricing, distribution and advertising.

Moreover, authors consider consumer behaviour, manipulations in price, packaging, mode of distribution and display of products, music, size of advertisements, and other marketing environment as a part of marketing practices, applied to affect firm's performance. Simultaneously, commercial architecture, branding, advertising and promotional activities, building relationship and customer loyalty as well as identifying consumption patterns, values, tastes, preferences, needs, desires, trend of consumer behaviour are a part of marketing implications.

Additionally, cross-cultural research is also assumed as an essential part of marketing practice since the latter differs under the impact of people living in different countries. In this paper we review the historical development of different thoughts on the evolution marketing as a scientific discipline. We provide comparative analysis of prevalent views of different scholars on the development of marketing thought, concepts, definitions and its changing nature.

Comparative analysis of the scientific thoughts on marketing

Marketing has been practiced since ancient times and has been thought about almost as long. Yet, it is only during the last century that marketing ideas officially evolved into an academic discipline. The world's society and the marketing field have experienced colossal changes equally throughout this time. The form of marketing practices is equipped with much enhanced technology and this growth initiating changes in several realms quantitatively, behaviourally and strategically on a global scale.

Across the span of the last century, many thought-provoking insights on the domain of marketing and its broader relationships with society have been developed. The first era (1900-1920) of formal marketing thought began just in the beginning of the twentieth century, when the academics have started to pay more attention to this field of science which is known as “the area of market distribution”. Therefore, the marketing domain began acquiring its own exclusive identity when professors at many universities across the United States autonomously started to introduce new courses to scrutinise several facets of the marketing system, including “distributive and regulative industries” (University of Michigan), “the marketing of products”

(University of Pennsylvania), “methods of marketing farm products” (University of Wisconsin), and “mercantile institutions” (New York University) [7]. This era focused on value of distribution and the role of marketing agents was perceived as contributing to economic growth and efficiency.

According to Wilkie and Moore [6] consumers’ possibility to choose goods have increased significantly with the invention and mass production of handy packaged goods, supplied in new retail mode such as the supermarket. These social changes opened new prospects for manufacturers as well as carried diverse challenges requiring them to have more refined and mixed distribution systems and a more proficient comprehension of tools to stimulate mass consumer demand.

During Era II, the business schools began to develop on a widespread basis, the functional approach obtained extensive acknowledgment amongst marketing thinkers, and the textbooks was on the process of establishing the generally accepted marketing principles. Therefore, according to Wilkie and Moore [6], this era also continued with the emphasis on economic efficiency of marketing functions such as (1) physically supplying the market, (2) creating opportunities for exchange, and (3) auxiliary or facilitating functions.

Era III has witnessed the burst of significant new concepts. Specifically, marketing started to be seen from the managerial perspective and the quantitative and behavioural sciences have emerged into the marketing mainstream. A new think tank, the Marketing Science Institute (MSI) was formed in 1961, and in 1962, U.S. President John F. Kennedy announced the Consumer Bill of Rights within the framework of U.S. society [8]. According to this important declaration, consumers have the rights to expect product safety, to be fully informed, to have freedom of choice, and to have a voice in the rules for the marketplace.

During this period consumer behaviour’s impetus was enormously enhanced by the appearance of textbooks such as Gerald Zaltman’s [9] “Marketing: Contributions from the Behavioural Sciences”; Engel, Kollat and Blackwell’s [10] “Consumer Behaviour”; John Howard and Jagdish Sheth’s [11] “The Theory of Buyer Behaviour”; and Harold Kassarian and Thomas Robertson’s [12] “Perspectives in Consumer Behaviour”. Wilkie and Moore [6] described the Era IV as a paradoxical evolution and comprehensive coverage of marketing and society. Accordingly, Era IV, which ranges from 1980 to present, takes the managerial perspective and the major focus of academic effort should be to improve the effectiveness of managers’ marketing decisions.

Era IV has witnessed such focal shifts as a massive globalisation of business education and business concepts. During this era new academics came into marketing field and entire blocs of nations (republics under former Soviet Union) have moved toward marketbased economy and away from centralized command and control. The field of consumer research has advanced with the growth in computers, as it allowed for largescale consumer surveys and the diffusion of new empirical research findings, their causes, and their implications. Keith [13] also presented a new view on the evolution of marketing thought by dividing it into four eras such as “production oriented era” (1869-1930), “sales oriented era” (1930s), “marketing oriented era” (1960s), and the 4th era is “marketing control”. However, Keith’s [13] historical theory of a marketing

revolution has been criticised by several authors (cf. [14]; [15]; [16]. According to Fullerton [14], Keith [13] relied exclusively on his knowledge of Pillsbury's [17] history and cannot be generalised. Several scholars such as Fullerton [14] and Jones and Richardson [16] well documented that there is no evidence of sales-era and/or marketing-era ideas during the period Keith [13] referred to as the production era. Shaw and Jones [5] also divide the development of schools of marketing thought into four periods that roughly parallel with Wilkie and Moore's [6] '4 Eras'.

They are presented in Figure 1. As shown in Figure 1, Pre-Academic Marketing Thought, prior to 1900, is characterized as the debates held on macro-marketing issues such as how marketing was integrated into society by various thinkers dating back to the ancient Greek Socratic philosophers as Plato and Aristotle [19]. Throughout the Middle Ages, the Medieval schoolmen, from St Augustus of Hippo to St Thomas of Aquinas, wrote about micromarketing concerns, such as how people could practice marketing ethically and without sin [20]. Most scholars came to an agreement that marketing as an academic discipline emerged as a branch of applied economics. Several schools of economics, particularly the Classical and Neoclassical schools ([7]), as well as the German Historical and American Institutional schools [21], contributed to the development of marketing science at that time.

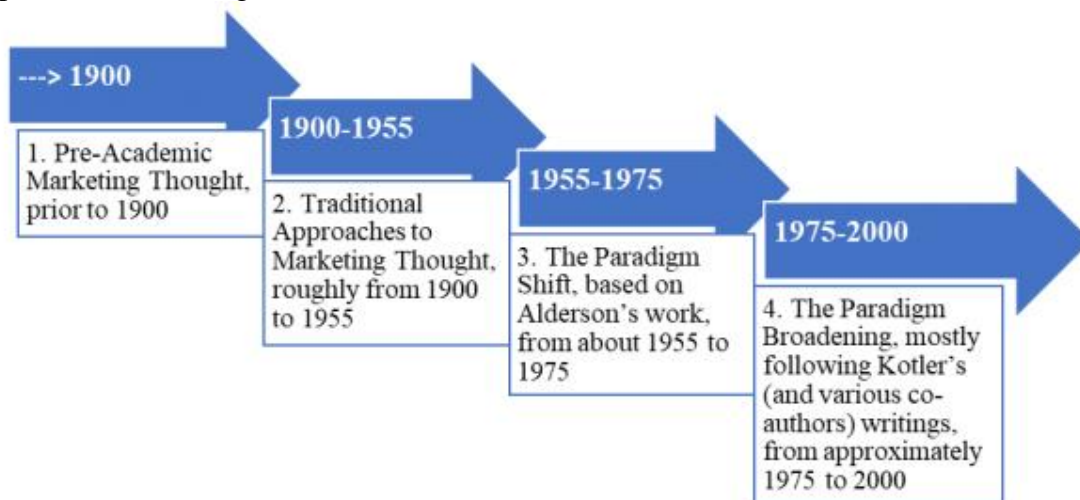


Figure 1. Four periods of the development of schools of marketing thought [18]

During the second period roughly from 1900 to 1955, traditional approaches to Marketing Thought were developed. At the turn of the 20th century business entities prospered in the United States. People started to migrate to cities massively, national brands and chain stores have emerged, free mail and package delivery services have appeared, and newspaper and magazine advertising have increased dramatically. The creation and expansion of the continent-wide railroad engendered ever-increasing trunk lines to even small cities, larger cities developed mass transit, and growing numbers of automobiles and lorries travelled on ever-expanding highways.

These developments connected rural farmers through agents and brokers, and allied producers with intermediary traders, and wholesalers with vendors. As a result, not just small specialty stores ultimately could reach household consumers, but the new giant department stores and national mail order houses too [5]. These changes demanded substantial enhancements in market distribution system. The first marketing courses in American universities were offered in 1902,

along the boom of the academic schools of business at the end of the 19th century [7]. To organize marketing's distinct subject matter, pioneer scholars in the newly emerging discipline developed the first three approaches to the scientific study of marketing phenomena: (1) cataloguing functions; (2) classifying commodities; and (3) categorizing institutions. Period three, approximately between 1955 and 1975, is called a Paradigm Shift (analogous to the expression used by Wilkie and Moore [6]).

The paradigm shift from traditional approaches to modern schools of marketing thought evolved from more than a few stages of development. Throughout the Second World War, it was influenced by military achievements in mathematical modelling such as linear programming. Immediately following the end of a war, the shift in capacity from military production to consumer goods stimulated economic progress in the United States creating supply surpluses, and this has made business firms to think seriously about the demand generation activities. The most significant source of the paradigm shift in academic thought, however, was the thinking of the leading scholar of his time – Wroe Alderson. Banking on his numerous articles (cf. [22]; [23] and presentations, marketing theory seminars, newsletters, and two seminal books (cf. [24]; [25], the paradigm shift gave rise to the most modern schools of thought eclipsing the traditional approaches, including: the marketing functions school, commodity school, the institutional school, the consumer behaviour school, and others.

These schools characterise some perspectives of marketing overall, and can be a thought-provoking theme for a different discussion. The fourth period, from about 1975 to 2000, is called the Paradigm Broadening. During this epoch, various academics from outside the field (particularly psychology) started conquering the marketing discipline with diverse types of empirical studies in consumer behaviour domain [26]. In other schools, the major push for extending the paradigm was again a well-known scholar Philip Kotler [27] and his various co-authors (cf. [28]; [29]. This drive led to a separation in three schools: marketing management, exchange, and consumer behaviour. This paradigm broadening has amplified the margins of marketing thought from its conservative focus on business activities to a wider perspective comprising all forms of human activity related to any generic or social exchange.

The scientific debates provided above confirm that the concept of marketing has been discussed and appraised frequently since marketing was acknowledged as a distinctive subject area. Many definitions of marketing have been introduced over the years as each generation tries to capture what marketing is and what it means to them. Over the past 70 years, description of marketing has been revised and redefined to fit new contexts such as not-for-profit, political and social sectors. In more recent years, the entry of new technology and interactive mass media to our everyday life, such as the television, internet, electronic scanning devices, mobile shopping, made it possible to apply different techniques in managing marketing activities and have brought with them more opportunities for re-defining marketing.

Gamble et al. [31] made comprehensive analyses of various definitions of marketing ranging from the 1960s to the present, and discussed each in the context of the sociocultural, technological and organisational changes. In Figure 2, based upon Gamble et al.'s chronology, we present a snapshot of the lexicon that used most frequently in several commonly cited definitions of marketing since its progression as a scientific discipline.

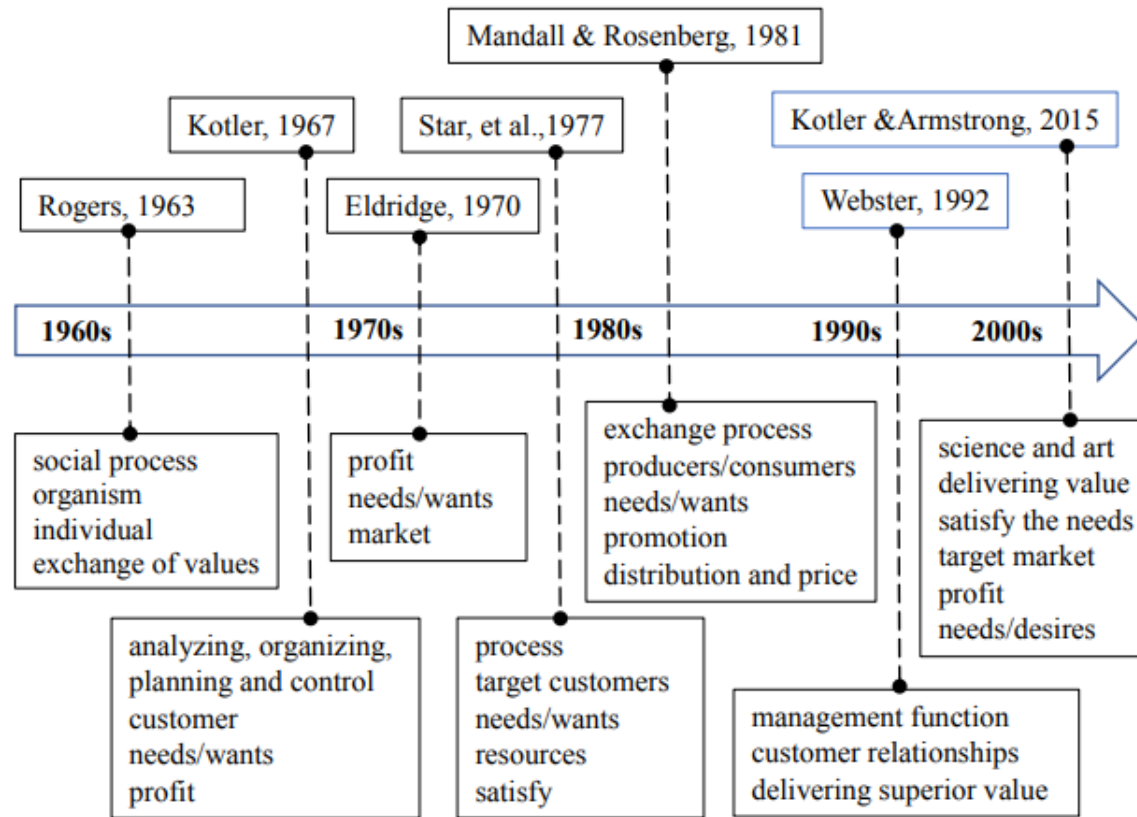


Figure 2. The keywords used in marketing definitions through 1960s to 2015s

The different classifications or paradigms have been proposed throughout the development of marketing thought. However, relying on the snapshot in Figure 2, we can see that “exchange” has arguably been the foundational construct in marketing for several decades. In the most recent definition Kotler and Armstrong [32] refer to it as “the science and art”: “The science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services”. The definition of marketing, which is approved by the American Marketing Association Board of Directors [33], is developed from the original meaning which referred literally to going to a market to buy or sell goods or services: “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”.

In 2007, The Chartered Institute of Marketing [34] has proposed another definition of marketing for the first time in 30 years which currently describes marketing as “the management process responsible for identifying, anticipating and satisfying customer requirements profitably”. According to this redefinition, marketing is not just about advertising or selling, but it is a key managerial activity that ensures producers of goods and services to predict and understand consumer wants/needs and match, or exceed them.

CONCLUSION AND FUTURE RESEARCH AVENUES

To conclude, the changing nature of marketing might be characterised by the recent globalisation of markets and technological advancements. In this conceptual review of marketing thought, we saw that over the past decades, marketing academics and practitioners have witnessed major transformations in the field of marketing. Today, the global environmental issues have also shaped both business practices and public life throughout the world. The global environmental issues and the rapid advances in the technology is continuing to change the way we live, consume and communicate at fast pace. These issues have shaped business practices and public life throughout the world by generating threats or opportunities such as green marketing, eco-friendly products, organic food, renewable energy etc. Keeping the environment safe is now a new concern of all stakeholders, governments, businesses, public and customers.

It is extremely important to acknowledge that green marketing becomes a central focus with the threat of global warming. Modern customers are more careful to choose ecofriendly products to maintain the environment safe. In addition to environmental factors, the rapid advances in the technology is continuing to change the way we live, consume and communicate at breakneck speed. Marketing is influenced by the development and popularization of several new innovative technologies such as augmented reality, virtual reality, personal digital assistants, big data, social media, Interest-based advertising, and the Internet-capable interconnected devices such as smart ovens, smart TVs.

These promising new technologies may yield countless new opportunities for marketers. Marketing is influenced by the development and popularization of several new innovative technologies such as:

- Augmented reality - marketers are already racing to develop new AR apps or take advantage of AR games to find new ways to bridge the gap between the physical
- Virtual reality such as second-life can dramatically change advertisements and messages and online shopping capabilities.
- Personal digital assistants – the systems capable of communicating with users enabling us to rely on voice-based queries in finding a reliable information and performing functions both on the web and on-device content.
- Machine learning algorithms – Google’s RankBrain is a self-updating machine learning algorithm, capable of gathering and interpreting information about its own functionality and improving itself over time. It supports to better understand the semantics of user queries and produce search results that cater to a user’s perceived needs.
- Data visualization - Big data gives access to insane amounts of consumer data and insights about consumer behaviour which subsequently leads us to make tailored marketing campaigns.
- Marketing automation platforms that allow the scheduling and syndication of social media posts to software programs that can write content from scratch and sound like a human wrote it.
- The Internet-capable interconnected devices such as smart ovens, smart TVs, and appliances that can be remotely programmed and integrated into the same overall system can enable marketers to advertise a product as consumers are using a similar product, or communicating with consumers immediately within their homes.
- Social media gave marketers the chance to monitor and contribute to the conversations that consumers have online in real-time. The social-networking platforms such as Facebook, and widespread consumer adoption of “smart” mobile devices have transformed marketing

communications, offering new ways to reach target customers, engage in public-relations, sell products, learn about consumer insights, and provide service to customers. Just as the rapid progress in mobile adoption has opened new ways of marketing communications for retailers, the social media also has changed how buyers share information with each other and interact with brands.

- Search engine optimization is one of the most important and cost-effective ways to attract customers on the internet.

- Interest-based advertising - behavioural targeting allows ads to be more relevant, valuable and thus persuasive to the consumer. Based on the above speculations of the promising new technologies that may yield countless new opportunities for marketers, we assume that while creating value and customer satisfaction might stay as a central focus, marketing concept may develop further by broadening into the different new paradigms in the future.

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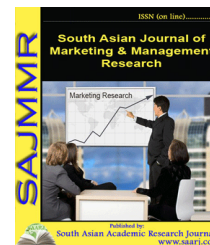
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A CASE STUDY TO INVESTIGATE THE FUNCTION OF KNOWLEDGE MANAGEMENT, INTELLECTUAL CAPITAL ON COMPETITIVE ADVANTAGE ACQUISITION IN AN IRANIAN COMPANY

Dr. Mansoureh Aligho Li*; Dr. Ghasem'ali Bazaei**; Saeedaskari Masouleh***;
Nimasaeedi****

*Faculty of Management,
Islamic Azad University,
Central Tehran Branch, Tehran, IRAN

**Faculty of Management,
Islamic Azad University,
Central Tehran Branch, Tehran, IRAN

***Faculty of Management,
Islamic Azad University,
Central Tehran Branch, Tehran, IRAN

****Faculty of Management,
Islamic Azad University,
Central Tehran Branch, Tehran, IRAN

ABSTRACT

In a scientific economic system, the lives of products and organizations strongly depend on knowledge and the most successful organizations are those who use this intangible property in a faster and better- managed approach. Studies have shown that knowledge is a genuine resource which leads to business performance increase, in contrary to occasional inefficiency of traditional resources (money, land, machinery equipment, and etc.) Today, from a strategic point of view, intellectual capital is used to create and improve organizational values. This study investigates the role of knowledge management and intellectual capital on gaining competitive advantage in 'Saipa' Company. The results – obtained through the Pierson correlation and regression – represent the positive effects and meaningful aspects of knowledge management and intellectual capital in gaining competitiveness. Then, applying Friedman test, two main categories of variables were ranked in knowledge sharing, knowledge acquisition and knowledge storage were the most important sub-scales in knowledge management dimensions; while among intellectual capital components, relational capital and human capital were the most powerful

variables. Finally, the 'mean' test results showed that among all variables considered in this study, organizational learning is the only one, which is not at a satisfactory level in the studied organization.

KEYWORDS: *Knowledge Management, Intellectual Capital, Competitive Advantage.*

INTRODUCTION

IT revolution, the advent of informative communities and networks, and rapid development of superior technology, especially in the fields of communication, computer and engineering, have influenced the development of global economics from 90s. Therefore, knowledge has become the most invaluable resource substituting the physical and financial resources in global economy. In a knowledge based economy, the lives of organizations depend on knowledge, and the most successful organizations are those who use this intangible property in a faster and better- managed way. Recent studies (Almasi et al, 2010) propose that in contrary to traditional resources such as money, land, machinery equipments and etc. - which have recently led to reduced efficiency-, knowledge has become a source for business performance improvements. It can be noticed that the valuable role of knowledge and other intangible factors within this process have been recognized by the market. Also, it must be mentioned that the scale of this 'hidden value' has recently changed. Hence, while organizations compete, their present and future success will depend on knowledge management rather than physical resources. Unfortunately, knowledge cannot be measured with traditional criteria. Moreover, it has an intangible nature and therefore the knowledge and all other intangible properties of an organization can be neglected by managers. It has been suggested that only 20 percent of knowledge-based features are applied by managers in an organization. Actually, knowledge-based business environment requires a new model to include all 'hidden', intangible factors of the organization. In this situation, the emerging field of 'intellectual capital' has become into the center of attention (Bontis, 2000). 'We are entering a new knowledge-based society, in which the main economic resource will be 'knowledge', rather than natural resources, money and work force' says Drucker, the famous management theorist. The 21st century is the time for knowledge and information based economy, while the 20th century was the era of industrial economy. In an industrial economy, the physical properties such as land, work force and money were profitable main factors, and wealth was made from a combination of all these factors. Knowledge - as a source of making money - played a minor role in such economy. While in knowledge-based economy, knowledge or intellectual capital are superior compared to other physical, tangible properties. In contrast to industrial economy, intellectual and human capitals are the most important features of a knowledge-based economy, and organizations success is embedded in their intellectual capabilities. So, the management techniques of intellectual capital play a crucial role in the efficiency and goal advancement of organizations (Almasi et al, 2010). In the meantime, the institutions and organizations in Iran cannot be excluded from the global variations in economics. They need to attune themselves with other organizations and therefore, to increase their competitive capabilities. They should employ intellectual capital in their organizational structures. Intellectual capital application in organizations must be considered more than ever, especially after 2005, when Iran became a bystander member of WTO (World Trade Organization). And also the competition increment in domestic economy and the tendency to join WTO intensifies the importance of intellectual capital application in organizations. This study investigates the intellectual

capital and its main factors _ Human capital, structural capital, and relational capital – and the effects of those factors on gaining advantageous competitiveness in „Saipa” Company. Through this investigation, this study emphasizes on the necessity of revising their attitude toward intellectual capital management. The main question of this research is whether there is a meaningful correlation between intellectual capital factors (Human capital, structural capital, and relational capital) and gaining advantageous competitiveness.

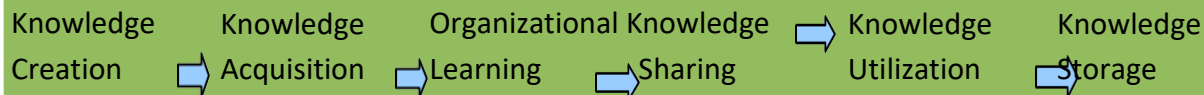
IMPORTANCE OF RESEARCH

The obligation for leadership of an organization will be to create a proper environment for knowledge management. Indeed, providing a proper environment to nurture and develop human mind in knowledge-based organizations is a challenge for managers. Following this concern, the most crucial skill for managers will be the knowledge management. From strategic perspective, intellectual capital can be used for the knowledge creation and application to improve organizational values. Today, the field of intellectual capital is expanding rapidly and has become an interesting subject for both researchers and organizational providers. In today’s competitive market where uncertainty is one of its main characteristics, the firms have competitive strength and are able to create knowledge and translate it to new services or productions. It means knowledge creates competitive advantage for all organizations and makes them to solve their problems and deploy their opportunities. So, not only knowledge is one of the resources to gain competitive advantage, but also it is the unique resource. But today’s world challenges like lack of resources and increasing competitiveness, make organizations to seek more sustainable resources for achieving their competitive advantage. One of the new ways to get more competitive advantage is informational databases by which they can analyze every customer's profitability. Nowadays, competitiveness has increased among automobile manufacturer industries. So, just the firms are able to develop their market share with higher competitive strengths. Growth and development is one of the most important objectives of each company. Therefore, the purpose of the present study is to investigate the influence of intellectual capital and knowledge management on “Saipa” company competitive advantage.

KNOWLEDGE MANAGEMENT

Conducted studies in Europe propose that knowledge management was applied in 80 percent of the biggest companies in the world in 2000 (KPMG, 2000). In recent years, the knowledge itself has turned to a key subject in the organizations' competitive capabilities. Also, the idea of 'knowledge being manageable' has taken its place in many knowledge-based businesses, learning organizations and intellectual capital management. Therefore, organizations are looking for new ways to survive in business and stay effectively competitive. One of the ways to achieve effectiveness is to discover and develop features leading to higher efficiency, specially the features which have not been applied appropriately in the past (Ndlela& Du Toit, 2001). To understand knowledge management, it must be considered as an interdisciplinary field of research, which makes it a little complicated and ambiguous, although, its complexity should not become the reason to abandon the issue. While codifying strategies of an organization, the ideas about knowledge management must be considered and applied. The knowledge management process helps the organizations to recognize, select, organize and propagate information and important specialties. These information and specialties are part of the organizational memory and usually are unstructured (Turban & Mclean, 2002). In another way, the knowledge management has been defined as the process of awareness of existing knowledge in the organization, create, share, transfer and employ that knowledge, and finally obtain new

knowledge and save and store it for the organization, in which all those actions happen within the learning process of an organization, considering its culture and strategies (Sallis& Jones, 2002). Constructing knowledge is a main feature that helps organizations in problem solving improvement, dynamic learning, strategic programming, and decision making more effectively. The focus of knowledge management is to recognize, explain and organize knowledge and to increase organization's value. On the other hand, information processing and network technology developments including internet has made it possible to easily access information at any time, any place. The increasing market demand to receive the products in a shorter time, together with the need for more flexibility and higher quality have all developed new topics in knowledge



management(Bokama, 2000).

Knowledge Creation in an organization means to provide ability of facilitating the creation of a new brand of knowledge and its distribution all over the organization (Mehrabi&Taleghani, 2009). Knowledge Acquisition includes a group of spiral interactions between tangible and intangible (hidden) knowledge which appears through four stages; 1) Social building, 2) Exterior building, 3) Combination, 4) Interior building (Mehrabi&Taleghani, 2009). Organizational Learning can be defined as a goal or a state to be achieved. Organizational learning process is a series of interactions between individual and group adaptations in an organizational level (Gorelick, 2005). Knowledge Sharing is known as two functions; 1) Transfer (to transfer knowledge to a potential receiver), 2) Absorption (knowledge absorption by an individual or a group) (Mehrabi&Taleghani, 2009). Knowledge Utilization consists of activities such as creating new knowledge from old (e.g. to discover the customers interests from analyzing their behavior) and to apply the current knowledge (e.g. finding new customers and current costumers' retention) (Lee & Yang, 2000). Knowledge Storage is a process; through which all the cases seeming to be valuable enough to be protected, are recognized and stored in the organizational memory form (Sallies & Jones, 2002).

What is Intellectual Capital? The development pattern of global economy has been changed, due to advent of IT revolution, information communities and networks formation and also growth and rapid development of 'higher' technology. As the result of these changes, knowledge has become an alternative for financial and physical resources. In a knowledge-based organization, the traditional accounting methods based on tangible resources of those organizations seem to be inadequate for intellectual capital evaluation. Nowadays, these recent resources are the most worthwhile intangible properties of an organization. Intellectual capital as a new discipline for researchers and providers focuses on new measuring mechanisms for measurement of important, intangible variables in organizations such as human capital, structural capital, customer satisfaction, and innovation (Almasi et al, 2010). To simply define intellectual capital, intellectual property is the difference between the market price and clerical price of the organization's properties (Seetharaman et al, 2002). Jelcic, 2007 has defined the intellectual capital in this way: Intangible mercantile properties and measurements of an organization which impact operations and other success factors effectively, while they are not actually reflected on balance sheets. Intellectual capital, has also been recalled with other terms such as 'intangible properties', 'knowledge-based properties', 'knowledge capital', 'informative properties', 'human capital', and 'Hidden values' (Bontis, 2001; Razafindrambinina&Kariodimedjo, 2011) and it

includes all innovations, ideas, fundamental knowledge, different ways of designing a product, computer programs and publications. In other words, intellectual capital consists of properties which are hidden, unseen and intangible but will result in profitability of an organization (GharoieAhangar, 2011). Various models have been proposed for intellectual capital modeling, in which different dimensions have been considered (Vaskeliene, 2007). Based on every defined dimension, different techniques and benchmarks would be employed (Uziene, 2010). Human Capital _ or sometimes called human enterprise capital– is considered as the backbone for intellectual capital and is a very crucial factor for value creation in organizations (Royal & O'Donnell, 2008). Human capital, as the most important intellectual capital, includes all the current employees' knowledge (Bontis et al, 2001), and demonstrates the ability of the organization to find the best solutions and overcome the complexities through its members' knowledge(Nazari et al, 2010).

TABLE 1: HUMAN CAPITAL COMPONENTS (CHEN ET AL, 2004)

Employees' Competency	Strategic management leadership, staff's characteristics, staff's learning ability, staff's learning performance, associative staff's capability in decision making and management, technical staff and managers' learning
Employees' Attitudes	Identity acquisition from organizational values, satisfaction rate, job quitting (desertion) rate, beneficent working lives' average
Employees' Creativity	Staff's creative abilities, creative thinking income

ORGANIZATIONAL CAPITAL

This category of capital consists of non-intellectual capital including factors such as information databases, customers' information, trademarks and organizational structure. Hence, when workers leave to their home, they actually stay in the organization through all the information in the system. This kind of capital belongs to the organization itself rather than individuals and it does have capabilities to respond the market needs (Almasi et al, 2010).

TABLE 2: STRUCTURAL CAPITAL COMPONENTS (CHEN ET AL, 2004)

Organizational culture	Organizational culture creation, staff's identity acquisition in organization's viewpoint
Organizational structure	Provided clear relationship (Clear relationship's choice), responsibility and profits, organizational system control's credit
Organizational learning	Internal information network creation and application, organizational information repositories creation and application
Operational process	Business period process, products' quality rate, organization's operational performance
Informational system	Support and cooperation between staff, accessibility of organizational information, knowledge sharing

RELATIONAL CAPITAL

The most important factor in creating added value for the organization is the relational capital (Kamath, 2008). The distribution channels, customers' satisfaction and loyalty are the factors which effect added value creation (Bannany, 2008). This capital consists of all the properties

which organize and manage the relation between the organization and the environment and comprise its relations with customers, stakeholders, supplier, government, public institutions and the competitors. Although the most important dimension for relational capital is customer's relation, other dimensions should not be neglected, too (Bozbura, 2004).

TABLE 3: RELATIONAL CAPITAL COMPONENTS (CHEN ET AL, 2004)

Fundamental marketing capability	Customer's information database creation and application, customer services capability, The ability to recognize customers' needs
Market intensity	Market contribution, market potential capability, customer's sales, brand's reputation, sales channel's creation, fair suppliers rules, timely obligations' accomplishment toward supplier, Honesty in responding to investor from informed sources
Customer loyalty	Customer's satisfaction, customer's complaint, customer's desertion, Investment on customers' relations

Knowledge management and intellectual capital in relation to acquisition of competitive advantages

Recent studies in strategic management emphasize on knowledge management as a basis for competitive advantages in organizations (Argote & Ingram, 2000; Barney, 2001; Prime & Butler, 2001). Many factors can influence organizations' competitiveness such as developing organizations' potentials (Johannessen & Olsen, 2003), and distinct production and services compared to their competitors (Turban & Mclean, 2002). From this viewpoint, competitiveness is fundamentally based on the organization and its knowledge (Carter, 2001). Tacit knowledge is part of the expertise which cannot be easily publicized or simply coded or copied. Usually, this kind of knowledge is content dependent, for example the knowledge obtained from a problem solving situation in a specific organizational content. This means that although knowledge is inside individuals, it can be articulated within the organization. Whereas to imitate and copy the tacit knowledge is nearly impossible, this kind of knowledge _ as a part of organizational capability _ becomes a source of competitiveness. The reason is the cumulative nature of knowledge, and it is formed by the time and experience. This kind of resource is inimitable and very unique for the organization (Hilliard, 2004). The knowledge-based management doctrine is established on considerable empirical background. The studies have been done on this filed propose the direct effect employees' knowledge on competitiveness benefits (Makovec & Zabkar, 2001), Market's contribution (Makovec & Zabkar, 2001), profitability and increasing value of staffs (Cater & ALfirevic, 2003). From a knowledge-based viewpoint, a stable competitive advantage can be obtained just through the knowledge. It implies that the amount of knowledge outside of an organization is much more than the knowledge existing inside it and therefore, the organizations are able to go further for a stable competitiveness through the more and more learning and gaining knowledge (Liao & Hu, 2007). Among various kinds of knowledge, the companies consider the team knowledge and technical knowledge of staff as the most appropriate sources for being competitive. Some experts try to classify different kinds of knowledge in regard to their importance on competitiveness and operational improvement. A research work claims that knowledge is considered as a very important issue by 96 percent of companies. This study classifies the importance of other kinds of knowledge as below; Technical knowledge (87%), Individual abilities (86%), Knowledge about products (85%), Knowledge about market (83%), and knowledge about competitors (81%). It also discusses the positive outcomes of knowledge: "Around 83 percent of companies believe that faster reaction to

environmental challenges, innovation, improvement in decision making and higher efficiency are the immediate results of higher knowledge. Also, 82 percent of companies assume that the direct benefit of knowledge is more flexibility of the company (Ghlichli, 2006).

As mentioned before, knowledge is an important factor to attract resources, and to apply the abilities in an efficient way and to coordinate these abilities in the way to achieve competitiveness. In addition, knowledge is one of the most important sources for innovation in organizations, processes and products. It is also considered as a crucial strategic resource for stabilizing the competitiveness in the organization. In this context, it seems necessary for those organizations which are focused on innovation and better responding due to the market requirements to deploy technology and opportunities and create the technical, marketing, and content abilities through producing new knowledge combined with the existing knowledge (Ghlichli, 2006). In addition, Argote & Ingram (2000) have supported the idea that the knowledge sharing rate in organizations is measurable through measuring the changes in existing knowledge or organization performance. By other means, knowledge-based properties have an immediate effect on how the knowledge is transferred in the organization (Syed-Lkhsan & Rowland, 2004). Therefore, knowledge sharing results in central competence development. It improves organizations performance and finally, creates the competitive benefits for organizations (Liao & Hu, 2007).

CONCEPTUAL MODEL OF THE RESEARCH AND HYPOTHESES

Considering research literature, the conceptual model below can be chosen for the current study. This model measures the effect of intellectual capital and knowledge management on competitive advantage. Within this model, intellectual capital and knowledge management are independent variables and competitive advantage is the dependent variable.

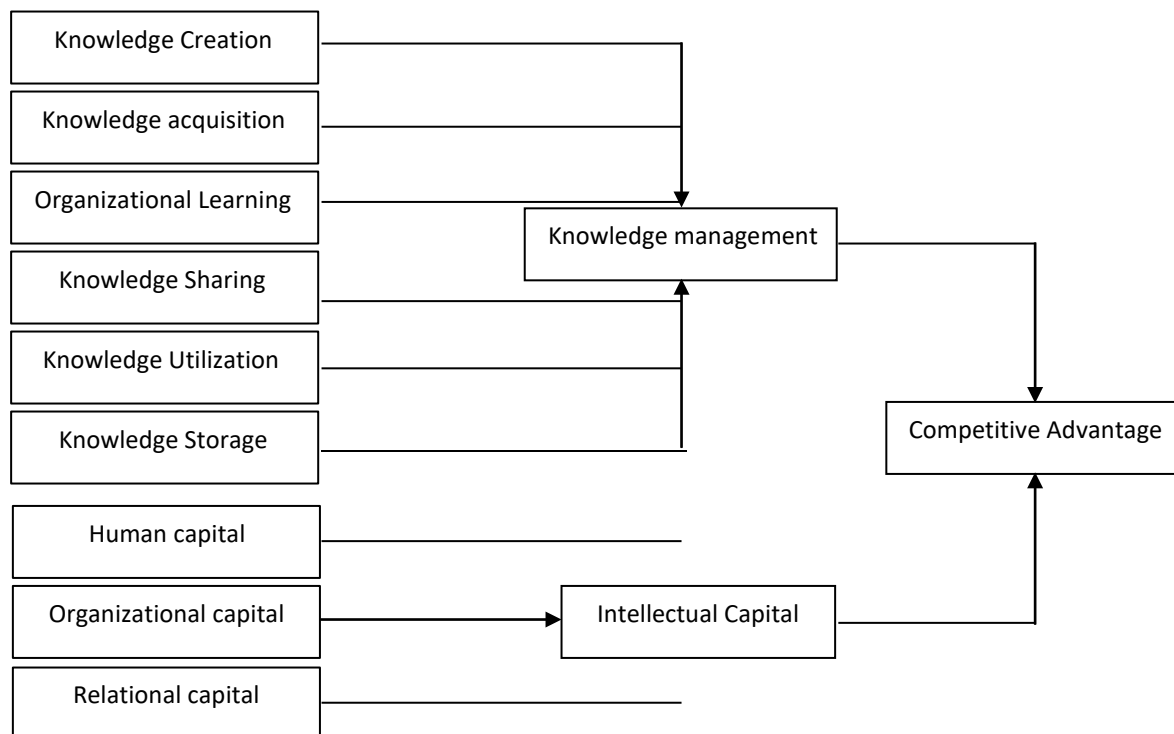


FIGURE1: CONCEPTUAL FRAMEWORK OF RESEARCH

RESEARCH METHODOLOGY

Samples for this research were chosen from managers of different levels: 98 managers. This number might seem inadequate; however, the sampling was done through an integral counting method. Current study can be considered as a descriptive survey if we observe it from data collection aspect and it would be an applied research if the goals of the study are considered. To collect the data, library method (refer to books, articles, libraries, etc...) and fieldwork (questionnaire) were used. The questionnaire was designed in three parts; 38 questions in knowledge management, 46 questions in intellectual capital, and 22 questions in competitive advantages and then they were distributed among the samples (participants). To analyze the data, SPSS 17 and Pearson, Regression, Average and Friedman tests were utilized. Management experts were asked to evaluate the validity of questionnaires. To do this, the questionnaires were given to some university professors and experts in management. Then, they confirmed the applied modifications and the questionnaires were given to the participants. To determine the questionnaires' reliability, the 'Cronbach Alfa technique' was applied. For this purpose, 35 people were chosen randomly (from the participants) and the questionnaires were given to them. The 'Cronbach Alfa' values for all variables were calculated:

TABLE 4: THE RESULTS OF RELIABILITY

Variables	Cronbach Alfa
Knowledge management variable	0.85
Intellectual capital variable	0.82
Competitive advantage variable	0.79

These values support the reliability of questionnaires, because the calculated results for cronbach's alpha are more than 0.7.

DATA ANALYSIS AND DISCUSSION

As mentioned before, the purpose of the paper is to survey the influence of intellectual capital and knowledge management on gaining competitive advantage. So, to prove the relationship between knowledge management and intellectual capital with gaining competitive advantage Pearson test was performed. Multi-variable regression test was applied to investigate how intense the effect of knowledge management and intellectual capital on gaining competitive advantage is. Also, Friedman and Average tests were used to rank knowledge management and intellectual capital dimensions and to measure the knowledge management, intellectual capital and their dimensions levels in direct order.

A) Pearson's Correlation Test

To investigate the relations of the variables, this test was applied. The results are shown below:

TABLE 5: THE CORRELATION BETWEEN KNOWLEDGE MANAGEMENT AND COMPETITIVE ADVANTAGE

Correlation	Pearson	sig	Test result
Knowledge management with competitive	0.55	0.000	Null hypothesis is rejected
Knowledge creation with competitive	0.47	0.000	H ₀ hypothesis is rejected
Knowledge acquisition with competitive	0.56	0.021	H ₀ hypothesis is rejected
Organization learning with competitive	0.43	0.000	H ₀ hypothesis is rejected

Knowledge sharing with competitive	0.61	0.035	H ₀ hypothesis is rejected
Knowledge utilization with competitive	0.52	0.000	H ₀ hypothesis is rejected
Knowledge storage with competitive	0.58	0.000	H ₀ hypothesis is rejected

Table 5, which present the correlations of competitive advantage and each of the six items. Pearson correlation matrix reveals that knowledge management and its dimensions are all significantly correlated with competitive advantage.

TABLE 6: THE CORRELATION BETWEEN INTELLECTUAL CAPITAL AND COMPETITIVE ADVANTAGE

Correlation	Pierson r	sig	Test result
Intellectual capital with competitive advantage	0.67	0.000	H ₀ hypothesis is
Human capital with competitive advantage	0.56	0.000	H ₀ hypothesis is
Organizational capital with competitive	0.66	0.041	H ₀ hypothesis is
Relational capital with competitive advantage	0.79	0.000	H ₀ hypothesis is

As can be viewed from Table 5 and Table 6, there is a meaningful and direct correlation between knowledge management, intellectual capital and their dimensions with competitive advantage.

According to Table 5 and 6, hypotheses were supported. Strong positive correlation was found between knowledge sharing, total intellectual capital, organizational and relational capital and competitive advantage ($r > 0.6$, $p < 0/05$). Also, strong positive relationship was found between all dimensions of CQ and achieving competitive advantage.

B) REGRESSION TEST

To investigate how intense the effect of knowledge management and intellectual capital is on gaining competitive advantage, the regression test was used.

TABLE 7: MULTI-VARIABLES REGRESSION ANALYSIS BETWEEN KNOWLEDGE MANAGEMENT AND COMPETITIVE ADVANTAGE

Variables	Standardized Coefficients	Un standardized Coefficients		T value	sig
	Beta	Std. error	B		
Constant		4.327	1.412	13.245	0.03
Knowledge	0.584	0.045	0.541	7.45	0.000
Constant		3.815	1.354	14.394	0.000
Knowledge creation	0.476	0.068	0.425	6.19	0.008
Knowledge acquisition	0.583	0.39	0.573	7.26	0.031
Organizational learning	0.439	0.54	0.396	5.23	0.000
Knowledge sharing	0.646	0.076	0.614	8.32	0.015
Knowledge application	0.561	0.45	0.519	6.54	0.000
Knowledge storage	0.611	0.61	0.597	7.78	0.000

From table above, it can be seen that a positive meaningful linear correlation exists between knowledge management and its dimensions with competitive advantages of Saipa Company. The linear correlation is explained below:

Competitive advantage= 1.354 + 0.425 Knowledge creation + 0.573 Knowledge acquisition + 0.396 Learning organization + 0.614 Knowledge sharing + 0.519 Knowledge application + 0.597 Knowledge storage.

TABLE 8: MULTI-VARIABLES REGRESSION BETWEEN INTELLECTUAL CAPITAL AND COMPETITIVE ADVANTAGE

Variables	Standardized Coefficients	Un standardized Coefficients		T value	sig
	Beta	Standard error	B		
Constant		5.284	0.736	18.442	0.002
Intellectual capital	0.744	0.071	0.423	7.23	0.014
Constant		2.635	0.935	19.73	0.000
Human capital	0.591	0.097	0.584	8.11	0.003
Organizational capital	0.524	0.164	0.563	7.45	0.000
Relational capital	0.748	0.083	0.714	9.96	0.000

Table 8 suggests that there is a direct and meaningful linear correlation between intellectual capital and its dimensions with competitive advantage. The linear correlation is shown as follows:

Competitive Advantage = 0935 + 0.584 Human capital + 0.563 Organizational capital + 0.714 Relational capital.

C) FRIEDMAN TEST

To rank the knowledge management and intellectual capital dimensions Friedman test was applied and the results are shown in Table 10.

TABLE 10: RESULTS FROM APPLYING FRIEDMAN TEST TO RANK THE KNOWLEDGE MANAGEMENT DIMENSIONS

Dimensions	Mean Rank	Rank
Knowledge creation	3.11	5
Knowledge acquisition	4.03	2
Learning organization	2.92	6
Knowledge sharing	4.26	1
Knowledge utilization	3.32	4
Knowledge storage	3.85	3
P < 0.05, Sig = 0.014, N = 98, df = 4, $\chi^2 = 112.004$		

The last row shows that the resulted error is less than P-value (0.05) and therefore, there are at least two variables with non-identical priorities. Meanwhile, the knowledge sharing portion and knowledge storage portions are bigger than other variables and the learning organization can be placed in the last row in terms of its level.

TABLE 11: RESULTS FROM FRIEDMAN TEST APPLICATION FOR RANKING THE INTELLECTUAL CAPITAL DIMENSIONS

Dimensions	Mean Rank	Rank
Human capital	3.54	2
Organizational capital	3.48	3
Relational capital	3.97	1
P < 0.05, Sig = 0.000, N = 98, df = 4, $\chi^2 = 117.621$		

In Table 11, error is less than P-value. Relational capital and organizational capital are ranked as the first and last parameters influencing competitive advantage, respectively.

D) AVERAGE TEST

This test has been used to measure knowledge management and intellectual capital levels and their dimensions.

TABLE 12: RESULTS OF THE AVERAGE TEST

Dimensions	Z0.05	Z value	Test result
Knowledge management	1.645	2.636	High level ranking in application
Knowledge creation	1.645	1.795	High level ranking in application
Knowledge acquisition	1.645	3.215	High level ranking in application
Learning organization	1.645	1.212	Low level ranking in application
Knowledge sharing	1.645	2.337	High level ranking in application
Knowledge utilization	1.645	1.946	High level ranking in application
Knowledge storage	1.645	2.145	High level ranking in application
Intellectual capital	1.645	3.314	High level ranking in application
Human capital	1.645	2.736	High level ranking in application
Organizational capital	1.645	2.512	High level ranking in application
Relational capital	1.645	1.832	High level ranking in application
Competitive advantage	1.645	3.011	Favorable level ranking of Saipa Company

As it can be easily seen, all the variables except learning organization are higher than Z-value. Therefore, Table 12 suggests that 'Saipa' company is at a favorable level of its competitive advantage, intellectual capital, knowledge management and their dimensions and it is not at a desirable level as a leaning organization.

Different tests showed that there is a positive and meaningful relationship between intellectual capital and knowledge management with gaining competitive advantage. But, the intensity of knowledge sharing and relational capital influence were more than other variables. Also among all research variable, just “organizational learning” didn’t place in favorite place.

CONCLUSION AND FURTHER SUGGESTIONS

Current study has been conducted in a community of 98 managers, consultants and experts in 'Saipa' co. In this sampled society, 83 percent were men and 17 were women. 32 percent hold a bachelor degree, 60 percent master degree, and 8 percent a PhD. Meanwhile, 62 percent of participants had work experience between 16 to 25 years and 8 percent had more than 30 years of experience. The results from correlation test propose a meaningful and positive relation between knowledge management and intellectual capital with gaining competitive advantage in 'Saipa' co. While the regression test shows how intense the effect of every variables is, in which the knowledge management dimensions – Knowledge sharing and knowledge storage – were recognized to be more effective.

Also, among the intellectual capital dimensions, the relational capital was more effective than others in gaining competitive advantage which means „Saipa” company should focus more and more on their trades with customers, suppliers, stockholders, etc to increase relational capital that

leads to achieve more competitive advantage. In continue, with the Friedman test application, knowledge management and intellectual capital dimensions were ranked. In this ranking, knowledge sharing and knowledge storage (as knowledge management dimensions) and relational capital and human capital (as intellectual capital dimensions) were having more strength than structural capital. Finally, the average test was applied to the data, to investigate the level of each variable. The results showed that all the variables, except for learning organization were on a desirable level. Considering the results, some managerial suggestions can be proposed: Whereas knowledge sharing plays a more important role on gaining competitive advantage, rather than other variables, it can be suggested to „Saipa“ managers that they should put more emphasis on it so that they could achieve better advantages through it. Also, noting that learning organization is in a level, lower than average, this dimension should be more in the focus of attention.

To create the essential environment to exchange knowledge, experiences and skills through team work and acculturation to facilitate learning, and to create and strengthening the learning organizations, all of those dimensions can play major roles toward improvements in organizational learning. The relational capital (from the intellectual capital dime) had the highest effect on competitive advantage. Therefore, it can be claimed that the next step to achieve competitive advantage are: to plan and program improvement for external relations with the customers, suppliers, and investors, to assess their satisfaction and loyalty, to inform the staff about the market goals and customers types, and to publicize the customers, suppliers, and investors' feedbacks and finally to manage the relational knowledge (such as customer's knowledge, investors knowledge, supplier knowledge). While the human and structural capital are also effective on gaining competitive advantage, it is possible to put a step ahead toward relational capital improvement through presenting education and consultation, and organizational opportunities to help human capital to improve. And also, giving appropriate customer-oriented education to the staff in close contact with the customers, continuing persistency, and on time respond to the customers' expectations and complaints could be other ways for achieving competitive advantage. And finally, to facilitate the implication of knowledge management, some strategies can be applied such as creating an information database, in order to make a trustworthy environment that can make it easier for the organization to implicate knowledge management, also to create a knowledge work group to minimize the role of prejudices and irrelevant experiences leading to profitable results (various viewpoints between the individuals in group work), and finally to create an IT-oriented point of view in respect to data categorizations, information, and codifying. Other managerial recommendations - As brand is one of relational capital components, managers are recommended to prevent to offer high prices relying on the strength and power of the corporate brand but instead, they can strategically add value to their brand by delivering the lowest possible prices. - Increasing efficiency in raw materials machineries and equipments, trying to make supportive culture for creativity and innovation improvement, human resource development and learning, human resource productivity measurement are other suggestions to improve organizational capital. - make use of employees' ideas, performance management and enhancing employees' skills, capabilities, creativity and attitudes to improve human capital.

- Creating an integrated software system to facilitate knowledge sharing process and affective leadership.
- Making educational courses to improve organizational learning. Research limitation

- Lack of appropriate responsibility among statistical society led to distributing questionnaires for three times
- Intellectual capital model had three dimensions of human, organizational and relational capital. But other comprehensive models including spiritual capital are suggested for future research.
- Knowledge management and intellectual capital dimensions were categorized by Friedman test. But the ranking process could be accomplished for all variables sub criteria by new techniques like fuzzy topsis, fuzzy AHP and fuzzy ANP.
- The current research was conducted in “Saipa” company. So, developing similar research works in all Iranian automobile manufacturer companies is another suggestion for future researchers.

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3. At this stage, two referees will carefully review the research article, each of whom will make a recommendation to publish the article in its present form/modify/reject.
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