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INDIAN BANKING AND ROLE OF RESERVE BANK OF INDIA

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ABSTRACT

The banking system will have to implement Basel III guidelines as per the directive of the Reserve Bank of India to make it a stronger sector but it is delayed for couple of years. Some of the key measures of this include creating firm measures to make it foolproof of systematic risks, stringent timelines, ongoing improvement of quality and quantity of capital, liquidity risk management, value-based practices, solid mechanism, disclosures for total transparency and reduction of systematic risk in derivative retail and wholesale banking. After the reading the research article one can better understand about Indian current and future banking scenario. Aslo control of Reserve Bank of Indian in Banking and Non-Banking sector very effectively.

KEYWORDS: *Practices, Solid Mechanism, Non-Banking*

INTRODUCTION

Introduction on Indian Banking

The Indian banking sector has been evolving since the year 1770 when the Bank of Hindustan was established in Calcutta and subsequently in its various avatar-when the General Bank of India, which came into existence in 1886 again in Calcutta; and then Bank of Calcutta (later Bank of Bengal-1806), Bank of Bombay and Bank of Madras merging in 1921 to become the Imperial Bank of India which became the State Bank of India (SBI) in 1955. The Indian banking system saw another phase of metamorphosis in 1969 when all the leading commercials banks were nationalized by the then prime minister and finance minister Indira Gandhi. The third phase which actually started changing the face of the Indian banking was the post-1991 economic liberalization which opened up the banking sector to increased competition and transformation offering better fare to customers.

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RBI's constitution and objectives

The Reserve Bank of India (RBI) was constituted under the Reserve Bank of India Act, 1934 and started functioning with effect from 1 April, 1935. RBI is the oldest among the central banks operating in developing countries, though it is much younger than the Bank of England and the Federal Reserve Board operating as the central banks in UK and USA respectively, being developed countries. RBI is a state owned institution under the Reserve Bank (Transfer of Public Ownership) of India Act, 1948. This Act empowers the Union Government, in consultation with the Governor of the RBI, to issue such directions to RBI are appointed by the Union Government. The control of the RBI, to issue such directions to RBI as considered necessary in public interest. The control of the RBI vests in the Central Board of Union Government. The RBI's internal management is based on functional specialization and coordination amongst about 20 departments, with headquarters at Mumbai, which is the financial capital of the country.

The main objectives of the RBI are contained in the RBI Act, 1934. It reads 'Whereas it is expedient to constitute a Reserve Bank of India to regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage'. The main objectives of RBI may be stated as follows in specific terms:

1) To maintain monetary stability such that the business and economic life of the country can deliver the welfare gains of a mixed economy.
2) To maintain financial stability and ensure sound financial institutions so that economic units can conduct their business with confidence.
3) To maintain stable payment systems, so that financial transactions can be safely and efficiently executed.
4) To ensure that credit allocation by the financial system broadly reflects the national economic priorities and social concerns.
5) To regulate the overall volume of money and credit in the economy to ensure a reasonable degree of price stability.
6) To promote the development of financial markets and systems to enable itself to operate/regulate efficiently.

RBI's main functions

We will now discuss the essential functions of RBI that help it to achieve the objectives mentioned above. These are as follows:

Notes Issuance

RBI has the sole authority for the issuance of currency notes and putting them into circulation, withdrawing them or exchanging them. RBI has issued and put in circulation notes in the denomination of Rs. 2, 5,10,20,50,100,500 and 1000, except Rs. 1 notes and all coins, which are issued by the Government of India, but put into circulation by RBI. The RBI has about seventeen Issue Offices and above 4,000 currency chests where new and reissuable notes are stored. The currency chests are kept by various banking groups as agents of RBI. The RBI Group has over 2,800 currency chests. Nationalized banks have about 800, Treasuries about 420 and private sector banks have about 20 currency chests. As a cover for the notes issue, RBI keeps a minimum value of gold coin, bullion and foreign securities as a part of the total approved assets.

Government's banker

RBI acts as the banker to the Central and State Governments. As such, it provides them banking services of deposits, withdrawal of funds, making payments and receipts, collection and transfer of funds and management of public debt. Government deposits are received free of interest and RBI does not receive any remuneration for the routine banking business of the government. RBI also makes 'ways and means advance' to central and state governments, subject to certain rules and limits on the amount of overdrafts with a view to contain the fiscal deficit as decided by the central government. RBI charges a commission for managing the public debt and interest on overdrafts from the concerned governments.

Banker's bank

Every central bank act as a bankers' bank and so does RBI. The commercial banks and state cooperative banks which are scheduled banks (appearing in the second schedule of the RBI Act) have to keep stipulated reserves in cash and in approved securities as a percentage of their Demand and Time Liabilities (DTL). These reserves, as discussed in a later section of this Unit, regulate the banks' ability to create credit and affect money supply in the economy. RBI also changes its Bank Rate to regulate the cost of rediscounting bills and by refinance mechanism for certain kinds of credit, subject to the conditions laid down in its Credit Policy announced by annually.

Bank's supervision

From November 1993, RBI's banking supervisory function has been separated form its traditional central banking functions. The Board of Financial Supervision (BFS) was set up in 1994 to oversee the Indian Financial System, comprising not only commercial banks, state cooperative banks, but also the All India Financial Institutions (AIFIs) and Non-Banking Finance Companies (NBFCs). The BFS has a full time vice-chairman and six other members, apart from the RBI Governor as its chairman.

RBI's supervisory powers over commercial banks are quite wide as mentioned below and their objective is to develop a sound banking system in the country:

1) To issue licenses for new banks and new branches for the existing banks.
2) To prescribe the minimum requirements for the paid-up capital and reserves, maintenance of cash ensure their sound working.
3) To inspect the working of the scheduled banks in India and abroad from all relevant angels to ensure their sound working.
4) To conduct ad hoc investigations into complaints, irregularities and frauds pertaining to the banks.
5) To control appointments, reappointments, termination of Chairman and CEOs of private banks.
6) To approve or force amalgamation or merger of two banks. The recent example is the merger of Global Trust Bank with Oriental Bank of Commerce, after the RBI's moratorium of the former in early 2004.

Development of the financial system

This represents RBI's developmental role as against its regulatory and supervisory role over banks as mentioned above. RBI has created specialized financial institutions for:

1) Industrial finance: Industrial Development Bank of India (IDBI) in 1964. Small Industries Development Bank of India (SIDBI) in 1989.

2) Agricultural credit: National Bank for Agriculture and Rural Development (NABARD) in 1981.
3) Export-import finance: Export-Import Bank of India (EXIM Bank) in 1981.
4) Deposits Insurance Corporation of India in 1961, which later became Deposit Insurance and Credit Guarantee Corporation of India (DICGC).

RBI has also initiated several schemes connected with various facets of banking which have significantly impacted the banking development in the country over the last five decades. Some of these are as follows:

1) Bill Market Scheme of 1952 and 1970.
2) Lead Bank Scheme for backward districts development (1970s).
3) P.L. Tandon Committee on Inventory norms for Bank Credit, 1974*.
4) Credit Authorization Scheme (1960s)*
5) Consortium Financing Scheme (1970s)*
6) Priority Sector Advances Scheme (discussed later in this Unit).

Note: The schemes marked with an asterisk (*) have been discontinued after the liberalization since 1991.

RBI has also tried to integrate the large unorganized financial sector (indigenous bankers, various kinds of non-banking finance companies etc.) into the organized financial system by regulating them to some extent. However, the task is so enormous and complex that it will take longer for RBI to have the desired integration of the two sectors, so as to work as a single financial system in the country.

Exchange control by RBI

RBI is entrusted with the duty of maintaining the stability of the external value of the national currency- Indian Rupee. It used to regulate the foreign exchange market in the country in terms of the Foreign Exchange Regulation Act (FERA). 1947 (amended and enlarged 1973). The FERA, 1973 has been replaced by the Foreign Exchange Management Act, 1999 (FEMA) and RBI is now guided by the provisions of the new Act. The RBI performs the following tasks:

1) It administers foreign exchange control through its Exchange-Control Department. It authorizes the bank's specified branches and other dealers, called Authorized Dealers (Ads) to deal in the prescribed kinds of foreign exchange transactions and issues the AD series of circulars for regulating such transactions.
2) It manages the exchange rate between the Indian Rupee and foreign currencies, by selling and buying foreign exchange to/from the Authorized Dealers and by other means.
3) It manages the foreign exchange reserves of the country and maintains reserves in gold and foreign securities issued by foreign governments and international financial institutions.

Indian Retail Banking

The banks also were in desperate need for augmenting their lending portfolio and also to diversify their portfolio risk. Banks took this opportunity to cater to the multiple banking requirements of the individuals by segmenting the individuals as a separate business market and called it by the name of 'Retail Banking'. Thus, we can define Rural Retail Banking as doing banking business with individual customers.

Rural Retail Banking is, however, quite broad in nature- it refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet. Fixed, current/savings accounts on the liabilities side; and personal loans, housing, auto loans, and educational loans on the assets side, are the important products offered by banks. Related ancillary services include credit cards, debit cards and depository services. Today's retail banking sector is characterized by three basic features:

1. Multiple products (deposits, credit cards, insurance, investments and securities);
2. Multiple channels of distribution (call center, branch, Internet and kiosk); and
3. Multiple customer groups (consumer, small business, and corporate).

Rural Retail Products

The typical products offered in the Indian retail banking segment are:

Indian Rural Retail Deposit Products

- Savings Bank Account Recurring Deposit
- Recurring Deposit Account
- Current Deposit Account
- Term Deposit Account
- Zero Balance Account for salaried class people.
- No Frills Account for the common man
- Senior Citizen Deposit Accounts, etc.

Indian Retail Loan Products

- Home Loans to resident Indians for purchase of land and construction of residential house/purchase of ready built house/for repairs and renovation of an existing house.
- Home Loans to Non-Resident Indians
- Auto Loans-for purchase of new/used four-wheelers and two-wheelers
- Consumer Loans-for purchase of white goods and durables
- Personal loans-for purchase of jewels, for meeting domestic consumption etc.
- Educational Loans-for pursuing higher education both in India and abroad
- Trade related advances to individuals-for setting up business, retail trade etc.
- Crop loans to agricultural farmers
- Credit Cards etc.

Indian Retail Services

- Safe Deposit Lockers
- Depository Services
- Bancassurance Products etc.

In the recent years, retail lending has turned out to be a key profit driver for banks with a retail portfolio constituting 21.5 percent of the total outstanding advances, as on March 2004. It is reported that the overall impairment of the retail loan portfolio worked out much less than the Gross NPA ratio for the entire loan portfolio. Within the retail segment, the housing loans had the least gross asset impairment. In fact, retailing makes ample business sense in the banking sector.

Drivers of Retail Business in India

1. The economic prosperity and the consequent increase in purchasing power have given a fillip to a consumer boom. During the fourteen years after 1992, India's economy grew at an average rate of 6.8 percent and continues to grow at a higher rate-which is unique in the world.
2. Changing consumer demographics indicate vast potential for growth in consumption both qualitatively and quantitatively. India is one of the countries having highest proportion (70percent) of the population below thirty-five years of age (young population). The report of Goldman Sachs for Brazil, Russia, India and China (BRIC), has predicted a bright future for India because of this demographic advantage.
3. Convenience banking in the form of debit cards, internet and phone banking, anywhere and anything banking has attracted many new customers into the banking field. Technological innovations retailing to increasing use of credit/debit cards, ATMs, direct debits and phone banking has contributed to the growth of rural retail banking in India.
4. The interest rate in the economy which was hovering at 12 percent plus in the 1990s, suddenly started declining from 2000 onwards to as low as 5 to 6 percent in 2004. Initially, this failing interest rate contributed to the growth of rural retail credit by generating the demand for such credit. The lowering of interest rates coupled with a robust growth in the economy resulted in many of the corporate posting higher profits and this resulted in a slowdown in the off take of credit by them.
5. After the liberalization of the economy, the Indian banks adopted the best international practices of accounting and integrated risk management systems. The growth in the Rural Retail Loans Portfolio also provided banks the opportunity to diversify their risks.
6. Further the delinquency rate, i.e. defaults in respect of rural retail advances was comfortably on the lower side when compared to the overall bank loans have put comparatively less of a provisioning burden on banks apart from diversifying their income streams. Within the retail segment, the housing loans had the least gross asset impairment.

Opportunities of Retail Banking in India

Retail banking has immense opportunities in a growing economy like India. The rise of the Indian middle class is an important contributory factor in this regard. With the tremendous growth experienced by the Indian industries, in particular the software industry and the retailing sector, the percentage of middle to high-income Indian households in rural area is expected to continue rising. The combination of the above factors promises substantial growth in the retail sector. Finally, rural retail banking does not refer to lending only. One should not forget the role-employed and those employed in the unorganized sector-all need to get a place in the banks. In recent days, the Reserve Bank of India and the Government of India are very particular about 'Financial Inclusion' and the entire banking industry is viewing this as an emerging business opportunity.

On the other hand, rising indebtedness could turn out to be a cause for concern in the future. Sharing of information about the credit history of households is extremely important as far as rural retail banking is concerned. The credit Information Bureau (India) Limited (CIBIL), incorporated in 2000, aims at fulfilling the need of credit granting institutions for comprehensive credit information by collecting, collating and disseminating credit information pertaining to both commercial and consumer borrowers.

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Technology to the fore

Banks have changed in their operations and moved towards universal banking along with the increased usage of technology-based services offering alternates channels such as smart cards, ATMs, usage of the Internet, mobile and social banking. Banks have started deploying core banking, human resource management (HRM) and enterprise risk (ERPs) management and process re-engineering etc. to improve on their performance and productivity. Majority of banks are insisting on cashless payment modes.

According to a KPMG study, a research analyst says, as of FY2012, non-cash payments constituted 91 percent in value terms as compared to 88 percent in FY in 2010 and 48 percent in terms of value from 35 percent in FY2010. According to a bank analyst, the payments made through cheques in total non-cash transaction too has come down to 52 percent from 83 percent in volume terms, and to nine percent from 85 percent in value terms during between FY2006 and FY2012.

Indian banks get top billing globally

This has resulted in putting 20 Indian banks in their standing globally. In 2010 the UK-based Brand Finance's annual ranking put these banks in the top 500 banks by their brand value. In 2007, only six Indian banks had the top standing globally. To see further growth in the banking sector Regulators and policy makers have been emphasizing on financial inclusion to cover all sections of the society. Half of India's population does not bank. The regulators and policy makers have started taking a serious view of this. As a result, the top regulator the Reserve Bank of India (RBI) is now encouraging various entities including non-banking finance companies (NBFCs), co-operative banks, and regional rural banks (RRBs), self-help entities, and business correspondents in rural areas and micro finance companies which have now given exposure to non-banked rural areas. This shows that at some point of time banking services would reach rural areas as much as they do in urban and semi-urban areas. The government and the regulator have taken several measures including mandatory opening of at least 25 percent of new bank branches in unbanked rural areas, giving impetus to opening of new branches in tier III-VI cities. The mandatory and simplified Know Your Customer (KYC) detailing for opening small accounts have made things easier for banks to extend their reach. Banks have also become finance providers for community services development. Post-liberalization India has also been attracting banks from various foreign lands. These now number 40-from 28 in FY in 2008 and have a 7 percent share of the total assets management. Over 20 Indian banks have now opened over 240 offices overseas.

Future outlook of Indian Banking

The banking system will have to implement Basel III guidelines as per the directive of the RBI to make it a stronger sector but it is delayed for couple of years. Some of the key measures of this include creating firm measures to make it foolproof of systematic risks, stringent timelines, ongoing improvement of quality and quantity of capital, liquidity risk management, value-based practices, solid mechanism, disclosures for total transparency and reduction of systematic risk in derivative and other money-related markets. The RBI has stipulated a time frame of five years to implement Basel III norms. But there are economy related hurdles as the government which hold majority stake in the public sector banks (PSBs) copes with the high fiscal deficit. Once the government decides to dilute its shares in the PSBs and brings it down to around 51 percent, the Indian banking sector would see a sea change but capital market will play major role for that. Also, a large number of foreign players and big Indian corporates are awaiting government clearance for setting up new generation banks. Once there is clarity on this issue things would change drastically.

Wholesale Banking in India

Wholesale Banking refers to doing banking business with industrial and business entities-mostly corporate and trading houses, including multinationals, domestic business houses and prime public sector companies. Banks in India have been doing this type of business traditionally and this segment of business is also called Corporate Banking/Commercial Banking. With competition open to even multinational banks, in servicing this segment of customers, banks are vying with each other in providing a wide array of commercial, transactional and electronic banking products. Banks achieve this through innovative product development and a well-integrated approach to relationship management. Every bank promises to provide superior product delivery, industry benchmark service levels and strong customer orientation. The product offerings are suitably structured taking into account a client's risk profile and specific needs.

Products in Indian wholesale banking

The products offered can be classified into four major groups, viz.., Fund Based Services, Value-Added Services and Internet Banking Services. To understand this better, a bouquet of products offered by one of the leading private sector banks is mentioned below.

1. Fund-based Services

a) Term Lending
b) Short-Term Finance
c) Working Capital Finance
d) Bill Discounting
e) Structured Finance
f) Export Credit

2. Non-fund-based Services

a) Bank Guarantees
b) Letter of Credit
c) Collection of Bills and Documents

3. Value-added Services

a) Cash Management Services
b) Channel Financing
c) Vendor Financing
d) Real Time Gross Settlement
e) Corporate Salary Accounts
f) Syndication Services
g) Forex Desk
h) Money Market Desk
i) Derivatives Desk
j) Employees Trusts
k) Tax Collection
l) Bankers to Right/Public Issue

4. Internet Banking Services

a) Payment Gateway Services

b) Corporate Internet Banking
c) Supply Chain Management
d) Supply Chain Partners

All the banks have exclusive product structured to meet the requirements of the Government Sector. Banks have products to suit other banks in areas like clearing sub-membership, DD/cheques payable at par, RTGS-Sub-membership, Cheque Collection, Funds Transfer, ATM tie-ups, etc. They also cater to the Financial Institutions by offering products like Cash Management Services and to Mutual Funds by offering products in the areas of Collection Services, Payment Services, Custodial Services and Funds Transfer. Banks also cater to the requirements of Stock Brokers like Clearing Settlement Bankers on Equity and Derivatives Segment, Professional Clearing Member of NSE Derivatives, Bank Guarantees etc.

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EFFICIENCY OF INNOVATIVE DEVELOPMENT OF AGRICULTURAL BUSINESS IN THE REPUBLIC OF UZBEKISTAN

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ABSTRACT

This article covers the issues of sustainable development of the agricultural sector of Uzbekistan, the innovative activities of the sector and the efficiency of management. The methodology of forming such system mechanisms is different economic doctrines that is including institutional theory, should be based on the theoretical principles of evolutionary economics and synergetic. A wide range of products and services on the organization was presented. To deepen innovation processes in Uzbekistan today and all necessary socio-economic bases for strengthening the innovation base available. Further management of the activities of agricultural machinery enterprises improve, increase their efficiency and profitability, in the field modernization, technical and technological re-equipment of production, modern, high-productivity, internal and external for the agro-industrial complex to organize the production of competitive machine. The results of the comparison of different options of modern technologies show that the minimum tillage, current and investment cost savings, production of a product with a much lower cost and more than one hectare of land per crop at the same level of prices income.

KEYWORDS: *Agriculture, Innovation Management, Efficiency, Structural Changes, Farming, Farming, Technology, Modernization, Innovative Development.*

INTRODUCTION

At present, a new paradigm of world economic development is being formed on the basis of the use of innovations. Uzbekistan cannot deny these processes and in all sectors of the economy, including agriculture.

It is necessary to ensure the activation of innovative processes in the economy. Special attention is paid to these issues in the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No PF-4947 "On the Strategy for further development of the Republic of Uzbekistan" [1]. The transition to an innovative path of economic development addresses not only the problems accumulated in the agricultural sector of the Uzbek economy, but also it is also related to the need to address the key challenges facing this network.

In the current situation, innovative activity is a key factor in the development of agriculture. The maximum use of this factor is sustainable in the agro-industrial complex of our country is the only way to ensure development. In the context of accelerating socio-economic changes and increasing globalization of the world economy, our country must make a rapid transition to an innovative path of agricultural development in the short term; rebuild this strategically important sector of the economy on a qualitatively new technological basis.

Otherwise, the agricultural sector will lag behind in development and will not be able to ensure its competitiveness. To date, the development of agriculture is the most important priority has been and will remain one of the directions. Because the efficiency of agricultural production is our country's ensuring economic and food security, not only in rural areas.

Improving the material well-being of the population of our country is our priceless wealth the fertility of our land, with a constant improvement in its quality organically dependent. There is a lot of sustainable development of the agricultural sector of Uzbekistan. As a result of mastering the technological base of agricultural production, technically and organizationally and economically. This, in turn, strengthens Uzbekistan's integration into the world market.

ANALYSIS OF THE RELEVANT LITERATURE

A systematic approach to the formation of an effective management system capable of transitioning the agricultural sector of the Uzbek economy to an innovative path of development in the short term is needed. The methodology of forming such system mechanisms is different economic doctrines that is including institutional theory, should be based on the theoretical principles of evolutionary economics and synergetic. These problems and directions are innovative in the current conditions of agricultural activity remains underdeveloped in terms of process management theory and practice. General aspects of the problem on the effectiveness of innovative management of the development of the agricultural sector in Uzbekistan.

Our economists M.K.Pardaev, Ch.Murodov, N.Khushmatov, T.Kh.Farmonov, Q.A.Choriev, R.Kh.Ergashev have studied it in their scientific works. Their work is effective in the production of agricultural products under market conditions contributed greatly to the development of thinking theory and practice. For example, in the research work of M.K.Pardaev on the transition to an innovative path of economic development in the agricultural sector of the economy the accumulated problems, but also the main one facing this network It is emphasized that the tasks are also related to the need to solve [2],Chingiz Murodov's research work on agricultural production sustainable economic development on the basis of a gradual transition to an innovative path of development upgrading this strategically important network to modern requirements development on a qualitatively new technical-technological basis commented on [3].

Another scientist N.Khushmatov in his research work on the agricultural sector innovative management of development at the same time modernization and development of the agricultural sector of the economy taking into account the need to address the challenges of transition to an innovative path many in the field of activation of innovative activity in this field opinions on ways to solve problems and issues were expressed [4].

In the research work of T.Kh.Farmonov on the development of the agricultural sector effective management of agriculture in the context of transition to an innovative path institutional and synergetic in relation to the management of the formation of the system as a complex object of management, combining approaches taking into account the specific features of agro-economy, the basis of management based on methodological principles, management through more adaptation focused on the application of models [5].In the research work of K.A.Choriev, agriculture development, planning the activities of farmers and farms agrarian opinion on the effectiveness of innovative management of sector development reported [6].

Also in the research work of R.H.Ergashev the agricultural sector rural as a result of economic reforms of innovative development transition to free market forms of management and independent commodity development aimed at increasing the extraction mechanism [7].

RESEARCH METHODOLOGY

Analysis and synthesis in the research process, induction and deduction, statistics grouping, expert evaluation, scientific abstraction, and a wide range of other methods used.

ANALYSIS AND RESULTS

According to the results of the analysis, structural changes in the agricultural sector of the economy and the diversification of agricultural production reform, land reclamation, introduction of modern high-efficiency technologies and logistics of farms percent. The analysis of agricultural production by categories of farms shows that the share of farms is growing from year to year, while the share of organizations engaged in agricultural activities is declining.

In the process of ongoing structural changes in agriculture, farms were selected as the main forms of organization of agricultural production. Farm development the implementation of incentive measures is an important factor in their sustainable and effective development. Depending on the type of economy and level of development of the country, the economy, which specializes mainly in the production of raw materials, industrial economy, postindustrial economy, mixed economy and innovative economy or divided into countries based on a knowledge economy. Innovative economy is the most developed type of economy and belongs to an educated society.

Nowadays science and technology to widely introduce and diversify its achievements mechanisms and institutional structures, i.e. the national innovation system is formed. Agriculture in Agricultural Stabilization technological modernization is one of the priorities. Further management of the activities of agricultural machinery enterprises improve, increase their efficiency and profitability, in the field modernization, technical and technological re-equipment of production, modern, high-productivity, internal and external for the agro-industrial complex to organize the production of competitive machinery and equipment in the markets in order to implement a single technical policy aimed at 2018.

According to the results of exhibitions, domestic and foreign entrepreneursmini-technologies, compact equipment and agriculture among the companies. The total cost for the purchase of equipment is more than 145 billion soums 1180agreement and agreement protocols were signed. At the Uzbekistan Agrominitech Expo-2018, China, South Korea, France, Italy, Germany, Belgium, Austria,From 24 countries of the world such as Bulgaria, Belarus, the Netherlands, Iran, Russia, TurkeyMore than 195 companies participated.

It contains agricultural products compact processing lines, packaging mini-technologies, livestock, poultry, beekeeping and horticultural equipment, feedmini-machinery and equipment for training, horticulture and viticulture, chemicals that protect plants, greenhouses.

A wide range of products and services on the organization was presented. To deepen innovation processes in Uzbekistan today and all necessary socio-economic bases for strengthening the innovation base available. But the transition of the agricultural sector to the path of innovative development, or otherwise in other words, one or even several farms with innovative projects. There are also problems in the implementation of the scale, because: **first,** the farmer farms and entities processing agricultural products currently ordering research papers and research weak participation in financing; **second,** advanced innovation conducting research and development in technology development financing cannot be carried out by the business entity itself; **third,** new technology, agricultural products for the use of new varieties manufacturers and processors have sufficient knowledge they need to use the services of scientists and experts, as well as a certain level of farmers in the processing and sale of the product face challenges; **fourth,** higher education and research developed into innovative developments prepared by scientists of institutions the demand of the producers is insufficient, the organic connection between them does not exist; **fifth,** the development of some agricultural products irresponsibility of issuers.

CONCLUSIONS AND SUGGESTIONS

The problems of innovative development are especially relevant for Uzbekistan, because only through the widespread and effective use of new resource-saving, advanced technologies, innovative development will ensure the rapid growth of economic stability, taking into account the preservation of the environment. The results of the comparison of different options of modern technologies show that the minimum tillage, current and investment cost savings, production of a product with a much lower cost and more than one hectare of land per crop at the same level of prices income.

However, changing technology is a systemic approach, traditional of the enterprise in the transition from technology to new resource-saving technologies requires knowledge of all the changes that occur in the technological system is a complex process. In this regard, in agricultural enterprises process of introduction of technological and organizational-economic innovations. It is necessary to develop algorithms.

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ABOUT THE ISSUES OF FORMING TOOLS FOR ASSESSING FINANCIAL RISKS OF INSURANCE ORGANIZATIONS

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ABSTRACT

The article notes that the formation of conceptual approaches to the assessment of financial risks is relevant, has a direct or indirect impact on the results of financial activities of economic entities. When choosing a risk management method, the main task of management is to assess and analyze the possible risk, identify factors that increase it, and select methods to reduce risk. The author presents modern methodological tools for assessing the level of financial risk, as well as methodological tools for forming the necessary level of profitability of financial operations, taking into account the level of risk, for example, some insurance companies in Uzbekistan. This approach to the formation of the necessary level of profitability of financial operations, taking into account risk factors, allows us to ensure the relationship of indicators in the process of financial activity of insurance organizations as a whole.

KEYWORDS: *Financial Risk, Sources Of Financial Risks, Level Of Financial Risk, Assessment Of Financial Risks, Risk Universalization, Risk Concentration, Acceptable Risk, Acceptable Risk Concept, Risk Management, Methodological Tools, Assessment Methods, Variance, Coefficient Of Variation.*

INTRODUCTION

The modern world rejected the concept of absolute security and came the concept of acceptable (acceptable) risk, the essence of which is in the pursuit of the security that society accepts in a given period of time.

In this context, the category of “financial risk” is the uncertainty arising from changes in the conditions of the economic system, which has a significant impact on financial activity in general. The sources of financial risks are so diverse that it is hardly possible to speak of a single universal methodology for measuring them. In this case, two “conflicting” factors arise: on the one hand, these causes increase the degree of uncertainty, and on the other, contribute to the emergence of new risk management capabilities[1].

When choosing a risk management method, you should calculate the maximum possible loss for the corresponding type of risk, compare it with the amount of capital exposed to this risk, and then compare the total possible loss with the total amount of your own financial resources. Therefore, the main task of management is the assessment and analysis of possible risk, identifying factors that strengthen it and the choice of risk reduction methods. These general principles are formulated in this article.

The relevance of the article is due to the imperfection of methods for assessing and analyzing financial risks and the need to use a systematic approach to their assessment. The purpose of the article is to consider the principles of forming conceptual approaches to assessing financial risks and identifying prospects for their improvement.

RESEARCH METHODS

In the research process, the following were used: monographic, statistical-economic, computational-constructive, abstract-logical, experimental, comparative analysis and other methods, and risk assessment techniques.

ANALYSIS OF THE LITERATURE

In theory and practice, the concept of financial risk is multilateral and multi-valued. Moreover, the concentration of risk, in turn, gives rise to the so-called "boomerang effect", expressed in the universalization of risks that destroy economic and national borders. Today, the combination of the properties of inertia and innovation, as well as the inevitably occurring risks, is a constant potent factor in the movement of the economy.

When determining financial risk, they are often used interchangeably with the concepts of “essence” and “essential features” that do not coincide, moreover, are at different levels of cognition. The identification of the essential features of the phenomenon is often necessary in the preparatory part of the cognition process, since this allows you to set a certain framework for using the laws of formal logic[2].Therefore, on the etymological similarity of the terms “essential features” and “essence”, far-reaching conclusions cannot be made.

At the same time, the practice of identifying the essence and forming the definition of financial risk in world science, despite the abundance of research, has not yet developed a mutually agreed solution that satisfies the laws and principles of formal logic.

The most complete concept of a risk society was created by W. Beck: risk is not an exceptional “case”, not a “consequence” and not a “by-product”[3]. Risks are constantly produced by society; this production is legitimate in all spheres of life. The fact is that situations denoted as financial risk are concentrated in one concept and reduce many differences.

This set is formed by another - a set of randomness, contingent. “... they talk about risk only in cases where a decision can be made without which there would be no harm”[4]. According to N. Luman: “Refusal of risk, especially in modern conditions, would mean refusal of rationality”[5].

Despite the generalized nature of the research of N. Luman, U. Beck, their studies allow us to conclude that risk is a multidimensional and ambiguous phenomenon, it has many specific features, and the urgency of risk problems, including financial in the modern era, is growing sharply.

Currently, risk is most actively investigated as a component of economic activity. In this context, the following definitions of risk exist:

Risk is a potential, numerically measurable possibility of loss. The concept of risk is characterized by uncertainty associated with the possibility of occurrence during the implementation of the project, adverse situations and consequences[6].

Risk - the probability of losses, losses, shortfalls in planned revenues, profits[7].

Risk is the uncertainty of our financial results in the future.[8].

In this case, risk management is a system of principles and methods for the development and implementation of risk decisions that provide a comprehensive assessment of various financial risks and neutralize their possible negative consequences. It is this effect that gives rise to feedback when the consumption of risk as a whole is at the same time the beginning of its production at a new level, i.e. minimization of losses means minimization of risks.

A study of scientific developments showed the presence of many theoretical and methodological problems, in particular when assessing financial risks. There is still no common, well-established understanding of financial risk and generally accepted theoretical provisions on risk, a generally accepted interpretation of the financial and economic refraction of the concept of “risk”. In the presence of numerous applied developments, there are no holistic systemic fundamental works that reveal the essence and content of the assessment of the category “financial risk”.

RESULTS

Before proceeding directly to the principles of the formation of conceptual approaches to assessing financial risks, it should be noted that the most important indicator characterizing the measure of financial risk is its level. The level of financial risk and assessment of situations characterizes the probability of its occurrence under the influence of a certain risk factor (group of indicators) and possible financial losses when a risk event occurs. This indicator has a decisive effect on the formation of the level of profitability of financial transactions.

The level of financial risk is the main indicator of assessing the security level of an individual entity, characterizing the degree of protection of its financial activities from threats of an external and internal nature.

Today, we can distinguish the following conceptual approaches to assessing financial risks (Fig. 1):

- Situational approach based on the decision and assessment of losses in an unfavorable situation;

- A process approach based on risk reflection using indicators of variability;

- A scenario-based approach based on sensitivity analysis (traditionally, based on the following scenarios: pessimistic, realistic and optimistic);

-complex approach, which is based on the concept of expected utility

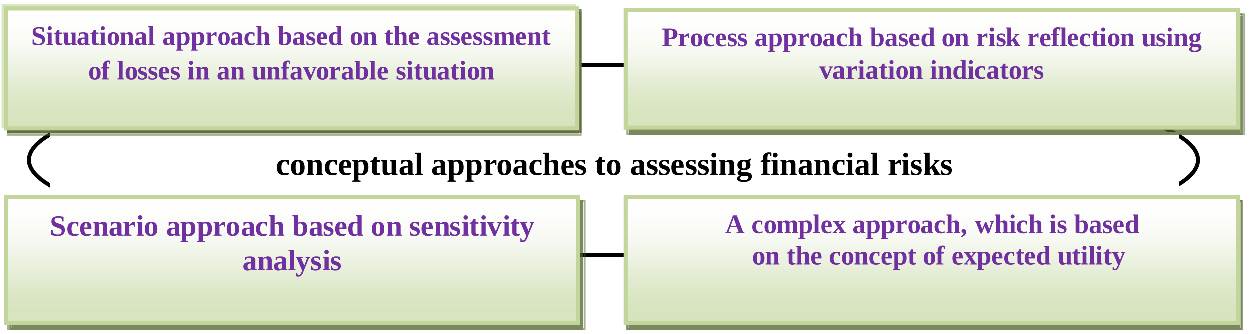


Fig. 1. Conceptual approaches to assessing financial risks[9]

These approaches are used to build a management system and assess financial risks. Assessing the level of financial risks seems to be the most difficult stage in the risk management system, requiring the use of modern methodological tools, a high level of equipment. It should be noted that financial risk is a probabilistic category, therefore probabilistic calculations are used in the process of assessing uncertainty and quantifying the degree of risk.

At the first stage, the probability of a possible risk event for each type of identified financial risk is determined. At the same stage, a group of financial risks of organizations is formed, the probability of which cannot be determined.

At the second stage, the amount of possible financial damage is determined upon the occurrence of a risk event. This damage characterizes the maximum possible loss from a financial transaction or a certain type of financial activity without taking into account possible measures to neutralize the negative consequences of this risk.

At present, in the theory and practice of riskology, a methodological toolkit has been developed for assessing the level of financial risk, which allows solving specific problems of risk management (Fig. 2).

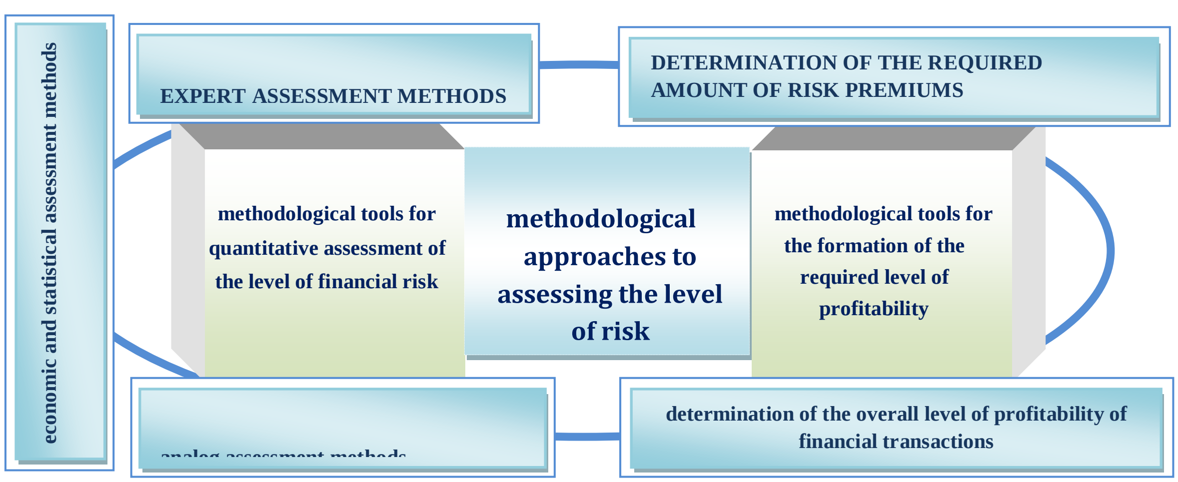


Fig. 2. Methodological approaches to assessing the level of financial risk in risk management[10]

Methodological tools for quantitative assessment of the level of financial risk.

This toolkit is the most extensive, due to the fact that it includes a variety of economic and statistical, expert and analogue methods of assessment. The choice of specific assessment methods is determined by the availability of the necessary information base and other factors.

1. Economic and statistical methods form the basis for assessing the level of financial risk. The essence of the method is that we study the statistics of losses and profits that have taken place at a given or similar production, establish the magnitude and frequency of obtaining one or another economic return, and make the most probable forecast for the future.

As noted above, risk is a probabilistic category. Probability means the possibility of obtaining a certain negative or positive result.

Financial risk, like any other, has a mathematically expressed probability of occurrence of loss, which is based on statistical data and can be calculated with fairly high accuracy. Assessing the expected risk for a planned activity or a specific business operation requires high qualifications and experience in this type of business.

When implementing a specific management decision, one should consider not one, but several types of risk, i.e., the level of complex risk. To quantify the magnitude of financial risk, you need to know all the possible consequences of any particular action and the probability of the consequences themselves.

The main calculated risk indicators include the following levels:

a) The level of financial risk is characterized by a general assessment algorithm, represented by the formula:

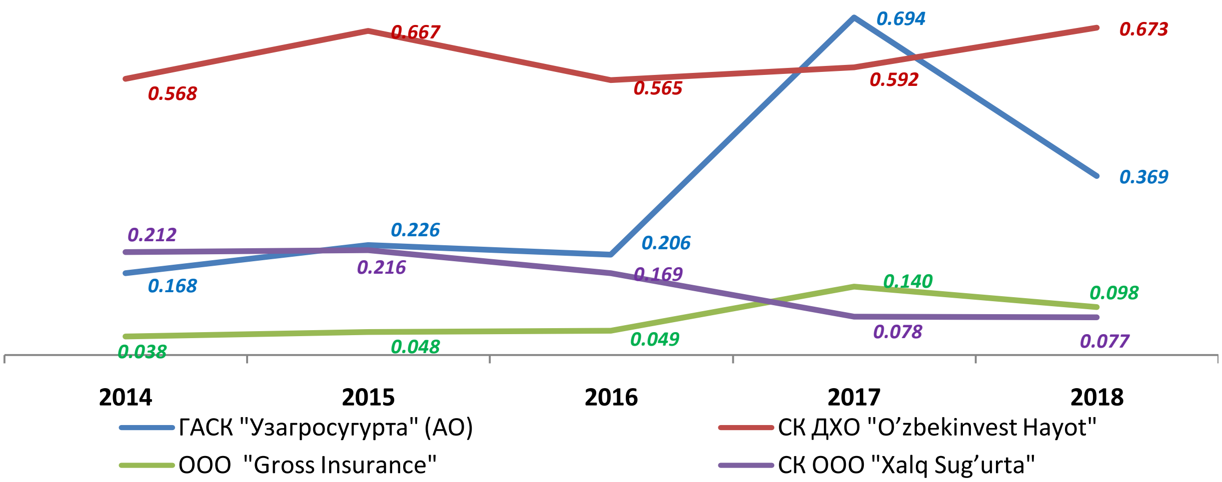
$$УР = ВР \times РП \quad (1),$$

Where, $УР-$level of relevant financial risk; $ВР-$the likelihood of this financial risk; $РП-$the amount of possible financial losses in the implementation of the risk.

In the practice of using this algorithm, the size of possible financial losses is usually expressed as an absolute sum, and the probability of a financial risk occurring is one of the coefficients of measuring this probability (coefficient of variation, beta coefficient, etc.). The level of financial risk when it is calculated using this algorithm will be expressed as an absolute indicator, which significantly reduces the basis for its comparison when considering alternative options.

Assessment of the level of relevant financial risk for some insurance organizations in Uzbekistan, 2014-2018. (1 diagram) shows that higher levels were observed in insurance organizations such as IC DRL “O’zbek invest Hayot”, respectively, for years 0.568 / 0.667 / 0.565 / 0.592 / 0.673; SJSC “Uz agro sugurta” (JSC) except for 2014, respectively 0.226 / 0.206 / 0.694 / 0.369.

1 chart[11]. Level of related financial risk for some insurance organizations in Uzbekistan, 2014-2018.



Analysis of the assessment of the level of the corresponding financial risk shows that the lowest levels were observed in insurance organizations such as Gross Insurance LLC, respectively, for years 0.038 / 0.048 / 0.049 / 0.140 / 0.098; IC LLC Xalq Sug'urta in 2017 and 2018, respectively, 0.078 / 0.077.

The calculation of the total average income level, i.e., the average income from financial transactions () of entities is carried out according to the formula

$$\overline{R} = \frac{1}{n}\sum_{i} R_i \quad (2),$$

where, the number of observations.

The level of average income from financial transactions when it is calculated using this algorithm will be expressed as an absolute indicator, which significantly reduces the basis for its comparison when considering alternative options.

Calculation of the average income from financial transactions in some insurance organizations of the Republic of Uzbekistan, for 2014-2018. (bln. UZS) shows (2-chart) that the higher absolute indicators have GASK “Uz agro sugurta” (JSC) - 84.1 and LLC “Gross Insurance” - 52.4; on the contrary, the lowest absolute average incomes have IC DRL “O’zbekinvest Hayot” - 17.8 and IC “Xalq Sug’urta” - 12.3 billion soums.

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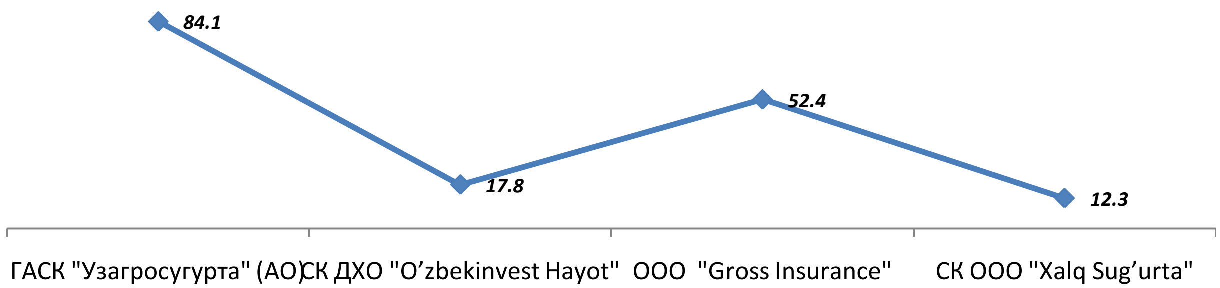
2 chart[12].The average income from financial transactions (R = X-Y) of some insurance organizations of the Republic of Uzbekistan, for 2014-2018. (billion soums).



b) Dispersion characterizes the degree of variability of the studied indicator in relation to its average value. The dispersion is calculated by the formula:

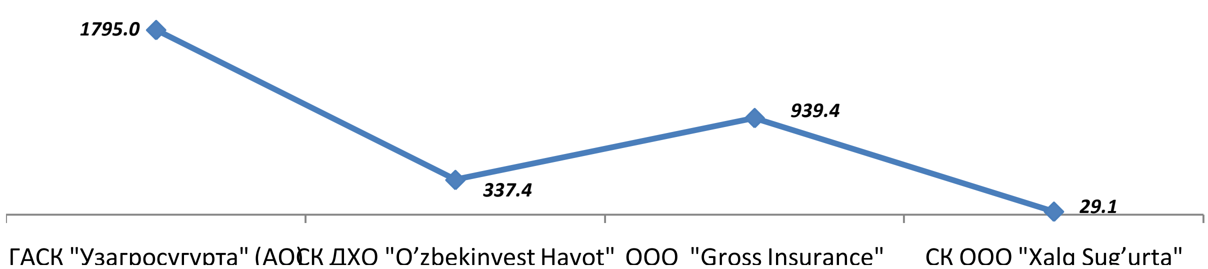
$$\sigma^2 = \sum_{i=1}^{n} \left(R_i - \overline{R}\right)^2 \cdot P_i \quad (3),$$

Where σ^2 – dispersion; R – the specific value of the possible expected income options for the financial transaction in question; $\overline{R}$ – average expected value of income for the financial transaction in question; P_i – the possible frequency (probability) of obtaining certain options for the expected income from a financial transaction; n – number of observations.

Calculation of variance by the degree of variability of the indicator of the level of risk relative to its average value (σ ^ 2) for some insurance organizations in Uzbekistan, 2014-2018. shows that (3-diagram), that higher absolute indicators have GASK "Uzagrosugurta" (JSC) 1795; Gross Insurance LLC 939.4 and IC DRL O’zbekinvest Hayot 337.4 billion soums, on the contrary, IC Xalq Sug’urta LLC has the lowest absolute indicator 29.1 billion soums.

3-chart[13].

The calculation of variance by the degree of variability of the indicator of the level of risk in relation to its average value for some insurance organizations in Uzbekistan, 2014-2018. (billion soums).



c) The root-mean-square (standard) deviation is one of the most common when assessing the level of individual financial risk, as well as the variance that determines the degree of variability and is built on its basis. It is calculated by the formula:

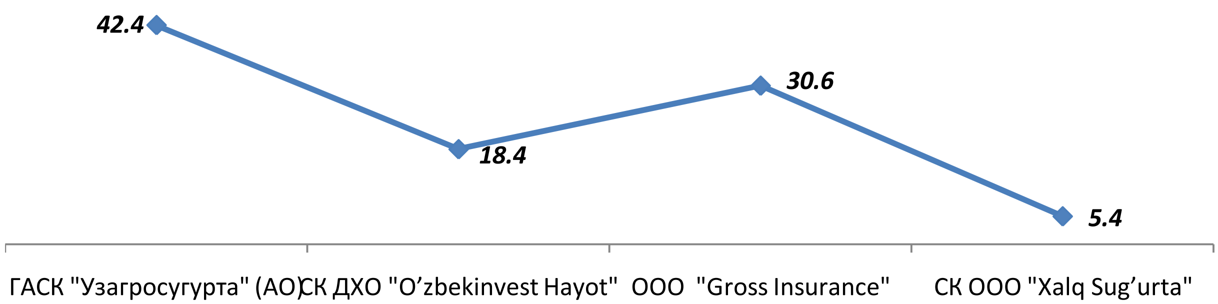
$$\sigma = \sqrt{\sum_{i=1}^{n} \left(R_i - \bar{R}\right)^2 \cdot P_i} \quad (4),$$

Where σ^2 – dispersion; R – the specific value of the possible expected income options for the financial transaction in question; $\bar{R}$ – average expected value of income for the financial transaction in question; P_i – possible frequency (probability) of obtaining certain options for the expected income from a financial transaction; n – number of observations.

The calculation of the standard deviation of the level of individual financial risk shows (4-diagram) that the higher rates have UZagrosugurta (JSC) 42.4 and LLC "Gross Insurance" 30, on the contrary, the lowest absolute indicators have SK DRL "O 'zbekinvest Hayot "18.4 and IC LLC" Xalq Sug'urta "29.1 billion soums.

4-chart[14]

Calculation of the standard deviation of the level of individual financial risk for some insurance organizations in Uzbekistan, 2014-2018. (billion soums).



d) The coefficient of variation allows you to determine the level of risk if the indicators of the average expected income from financial transactions differ. The coefficient of variation is calculated by the formula:

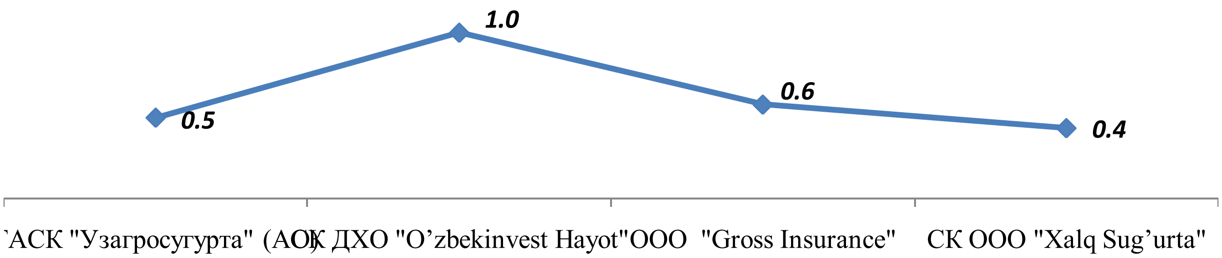
$$CV = \frac{\sigma}{\bar{R}} \quad (5);$$

Where CV – the coefficient of variation; σ – standard deviation; $\bar{R}$ – The average expected value of income for the financial transaction in question.

Indicators of the average expected income from financial transactions of the analyzed insurance organizations of Uzbekistan differ from each other, therefore, the coefficient of variation allows you to determine the level of risk (5-chart).

5 diagram[15]

The coefficient of variation of the risk level for some insurance organizations in Uzbekistan, 2014-2018.



The analysis shows that a higher coefficient of variation is determined by IC DRL "O'zbekinvest Hayot" - 1.0, on the contrary, Gross Insurance LLC - 0.6 have the lowest indicators of coefficient of variation; GASK "Uzagrosugurta" (JSC) - 0.5 and IC LLC "Xalq Sug'urta" - 0.4.

1. ***1. Expert evaluation methods*** the level of financial risk is applied if the company does not have the necessary information for making calculations by economic and statistical methods.
2. The expert assessment method is very important in determining the level of risk. It is a complex of logical and mathematical-statistical methods and procedures associated with the activities of experts in processing the information necessary for analysis and decision-making. This method is based on the use of a specialist's ability (his knowledge, skills, experience, etc.) to find the necessary, most effective solution. The method is based on a survey of qualified specialists with subsequent mathematical processing of the results of this survey.
3. In order to obtain a detailed description of the risk level for the operation in question, the survey should focus on certain types of financial risks identified by this operation (interest, currency, investment, etc.).
4. Given the conventionality of the method of expert assessments, some experts are mistrustful of it, believing that there is no guarantee of the reliability of the estimates obtained. Indeed, it is impossible to accurately assess the reliability of the results obtained. At the same time, the existing methods for determining the reliability of expert estimates are based on the assumption that if the actions of experts are coordinated, the reliability of the estimates is guaranteed.

5. *Analog methods for assessing the level of financial risk allow you to determine the level of risk for individual most massive financial transactions of a particular organization. Moreover, for comparison, one can use both one's own and external experience in carrying out such financial transactions.*

To assess the financial condition of organizations in order to analyze the effects of financial risks, it is possible to analyze financial statements, calculate solvency ratios, financial stability, profitability and business activity.

In Uzbekistan, on the basis of the analysis of insurance rates applied by insurers, the level of customer satisfaction with the quality of insurance services, as well as the effectiveness of insurance products, the authorized state body establishes a minimum level of insurance reserves to ensure their adequacy to the accepted insurance risks.

CONCLUSION

Thus, based on the study and analysis of scientific developments, practical data on some issues of assessing the financial risks of insurance organizations, we can come to the following conclusions:

1. Scientific developments have identified many theoretical and methodological problems, in particular, approaches to assessing financial risks; if there are numerous applied developments, there is no common, well-established understanding of financial risk and generally accepted fundamental work, theoretical provisions that disclose the contents of a systematic assessment of financial risk;

2. The review shows that the financial risk assessment is quite extensive and allows you to solve various problems in the field of risk management, in this context, the formation of conceptual approaches to assessing financial risks is relevant, has direct or indirect impact on the final results of financial activities of economic entities;

3. Financial risk is a probabilistic category, therefore, in a two-stage process for assessing uncertainty and quantifying the degree of risk, probabilistic calculations are used:

- at the first stage, the probability of a possible occurrence of a risk event for each type of identified financial risk is determined. At the same stage, a group of financial risks is formed for a particular, including insurance company, the probability of which cannot be determined;

- at the second stage, the amount of possible financial damage is determined upon the occurrence of a risk event. This damage characterizes the maximum possible loss from a financial transaction or a certain type of financial activity without taking into account possible measures to neutralize the negative consequences of this risk.

4. Assessing the level of financial risks seems to be the most difficult stage in the risk management system, requiring the use of modern methodological tools, a high level of equipment, therefore, when implementing a specific management decision, one should consider not one, but several types of risk, that is, the level of complex risk.

Analysis of scientific and theoretical developments, calculations of statistical data, allowing to assess the level of financial risk and profitability of financial transactions served as the basis for the formation of the following proposals: firstly, in order to quantify the magnitude of financial risk, it is necessary to know all the possible consequences of any particular action and the probability of the consequences themselves, i.e. assessment and analysis of possible risk, identification of factors enhancing it and the choice of risk reduction methods; secondly, in practice, the application of these principles requires the calculation of the maximum allowable loss for each type of risk, comparing it with the amount of capital, and then comparing the possible loss with the total amount of own resources. And only by carrying out these actions, you can come to the appropriate decision on the acceptability of assuming a specific risk; thirdly, the assessment based on the calculation and analysis of risk indicators for some insurance organizations in Uzbekistan differ from each other, so the coefficient of variation allows you to determine:

- Level of relevant financial risk;

- The volume of average income from financial transactions;

- The degree of variability of the studied indicator in relation to its average value (variance);

- The sum of the standard deviation of the level of individual financial risk;

- Indicators of the average expected income from financial transactions in general;

Fourthly, the choice of a method of minimizing risk in practice should be based on avoiding the excess of the costs of implementing this policy over the size of marginal utility resulting from its application. However, in practice this condition is difficult to fulfill. Therefore, more commonly available restrictions are most often applied, for example, setting the minimum amount of costs for implementing measures to reduce the risk to an acceptable value; fifth, the expert assessment method is also very important in determining the level of risk and represents a set of logical and mathematical-statistical methods, as well as procedures related to the activities of experts in processing the information necessary for analysis and decision-making, if the actions of the experts are consistent, the reliability ratings guaranteed; sixth, the listed methods of reducing the degree of risk have their advantages and disadvantages. The choice of specific assessment methods is determined by the availability of the necessary information base and other factors. Therefore, in practice, the use of combinations of tools that are most suitable for a particular subject is recommended and depends on its industry affiliation and areas of its activity.

Thus, only the integrated use of quantitative and qualitative assessments of financial risks, the mutual addition of some methods to others will ensure effective management of financial risks as a whole.

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THE IMPORTANCE OF USING THE AGRICULTURAL INSURANCE SYSTEM IN INCREASING THE VOLUME OF AGRICULTURAL PRODUCTION IN PANDEMIC CONDITIONS

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ABSTRACT

This article highlights the importance of providing the population of the country with agricultural products and increasing the volume of agricultural production in the context of the coronavirus pandemic, as well as the insurance protection of this process. Also, scientific proposals and practical recommendations on improving the insurance mechanism for protection against natural and man-made disasters occurring in the process of growing agricultural products.

KEYWORDS: *Coronavirus Pandemic, Quarantine, Agricultural Products, Agricultural Insurance, Agricultural Insurance Reform, Agro-Insurance Protection, Insurance Premium, Insurance Liability, Insurance Coverage.*

INTRODUCTION

Today, the spread of the coronavirus pandemic on a global scale has made all countries equally alarmed. In the context of the pandemic, along with the social protection of the population, the provision of agricultural products, which is their primary need, has become a global problem for all countries.

In the context of the coronavirus pandemic, the announcement of a quarantine period across the country has also forced production and service entities to suspend their activities for some time. While quarantine posed risks to the food supply of the population as a serious problem in its own right, there were also problems with the cultivation and supply of agricultural products in agriculture.

In the agricultural sector, agricultural enterprises, especially farms and dehkan farms, have a great responsibility. This is one of the main goals of timely planting of agricultural crops and the implementation of agro-technical measures in accordance with the established requirements.

This means that in any case, the greatest responsibility falls on agricultural enterprises that grow agricultural products, but various natural hazards and unforeseen natural disasters have a serious impact on the activities of the industry. In this process, the role of insurance relations in the use of agricultural insurance services and compensation for financial losses is invaluable. One of the main factors in the priority development of the agricultural sector is the fact that the theoretical, methodological and practical aspects of the provision of reliable agricultural insurance services to agricultural producers have not been studied as an object of independent research.

The research problem is to further improve the methodological and scientific basis for the development of agricultural insurance services in order to increase the volume of agricultural production in the context of a direct pandemic. It is also necessary to develop measures for the rational use of land and water resources in agriculture as a result of today's global changes, as well as the effective use of agricultural insurance services to cover losses caused by natural disasters.

To solve this research problem, a number of tasks are set:

- Study of the methodological basis of agricultural insurance to cover the financial losses of agricultural enterprises as a result of natural losses in the event of a pandemic;

- To study the criteria for the effective use of various financial mechanisms by agricultural producers on the basis of agricultural insurance;

- Assessment of the current state of insurance of agricultural enterprises producing agricultural products and analysis of strategic aspects of capacity building.

Analysis of the relevant literature

Sherrick B.J, Barry P.J, Just R.E, Calvin L, Quiggin J., Lin G on the development of agricultural insurance services in different countries, as well as insurance of crop yields, insurance protection against various natural and man-made disasters encountered in the cultivation of agricultural products. , Wang S., Cai J, Song C., Du X, Hennessy D.A, Feng H., Zilberman D., Farzaneh M, Allahyari M.S, Damalas C.A, Seidavi A., Ginder M , Spaulding A.D, Tudor K.W, Winter J.R, Sun X., Zhou X, Liao P, Wang K. [2; 3; 4; 5; 6; 7; 8; 9; 10; 11] and other similar agrarian sector studied by scientists who have contributed to insurance.

V.S Averin, M.M Kolchanov, V.V Shakhov, I.A Krasnova, N.V Bendina, I.T Balabanov on the development of agricultural insurance and agricultural insurance [12; 13; 14; 15; 16; 17] is reflected in the concepts, theories and practical research of scholars on such issues.

The authors of various studies on agricultural insurance cover the methodological basis of the development of insurance, the importance of theoretical and practical approaches to insurance in the presence of various risks, the specifics of the factors affecting insurance. The authors research explores issues such as the prevention of various financial losses through the use of insurance services at production facilities.

RESEARCH METHODOLOGY

Many years of research have shown that the emergence of various unforeseen risks in all types of production and services has a negative impact on each sector. The various risks posed by the direct pandemic also affect agricultural activity.

The development of the agricultural insurance system is becoming a financial backbone of agricultural enterprises producing agricultural products.

In this regard, the importance of developing the agricultural insurance system is that the activities of agricultural enterprises producing agricultural products play a protective role in compensating for material and financial losses caused by various risks.

Regarding the development of the agricultural insurance system, A. Yadgarov [18] highlighted the formation of agricultural enterprises as a financial supporter and incentive mechanism.

Discussion and analysis

Today, it is important to develop measures to prevent the spread of the coronavirus pandemic, to mitigate and eliminate the damage to the country's economy, to combat the crisis by reducing the risk.

In the context of the pandemic, it is likely that a decline in agricultural production will be observed. In this regard, the decline in agricultural production will automatically lead to an increase in food risk across the country.

In the context of a pandemic, the inability to provide the population with agricultural products in a timely manner, as well as food shortages and malnutrition, also lead to immunodeficiency. The coronavirus pandemic has a negative impact on the timely implementation of agro-technical measures by agricultural enterprises, as well as on the export of agricultural products.

In the context of the coronavirus pandemic, there is a trend of food shortages or declining food stocks in various countries around the world. It should be noted that the shortage of wheat, rice and corn products, which are the main guarantees of food security, is causing disruptions in food supply.

The main solution to ensure food security in the agricultural sector is to ensure the sustainable development of agriculture and the possible risks in agriculture, ie the supply of resources in the process of growing agricultural products, the supply of seeds and fertilizers, various logistics services, interruptions from field to consumer. elimination, supply of products to domestic and foreign markets.

The spread of the pandemic is having a negative impact on agriculture. During the quarantine period, which also takes place in Uzbekistan, insurance protection is required from various risks in the process from planting to processing of all types of agricultural crops.

Even in the context of a pandemic, it is advisable to provide reliable insurance services as one of the key factors in the sustainable development of agriculture. In our country, intensive work is being done to insure the lives and property of businesses and the population.

The activity of Uzagrosugurta JSC, which operates in the field of agricultural insurance in the country, is of special importance. Even in the conditions of a pandemic, one of the important tasks is to continue agricultural activities, prevent food insecurity on the basis of timely provision of the population with agricultural products, and insurance protection of this process.

Today in the Republic of Uzbekistan JSC "Uzagrosugurta" has 14 branches, about 200 branches and 521 insurance outlets in densely populated areas. JSC "Uzagrosugurta" directly carries out insurance work on 17 classes [20].

The main clients of Uzagrosugurta are agricultural enterprises, farms and dehkan farms, small businesses and private entrepreneurs, and the rural population.

JSC "Uzagrosugurta" carries out certain work to insure customers against accidents caused by various natural disasters and accidents. One of the important factors is the financial support of JSC "Uzagrosugurta" in all conditions of agricultural enterprises producing agricultural products (Figure 1).

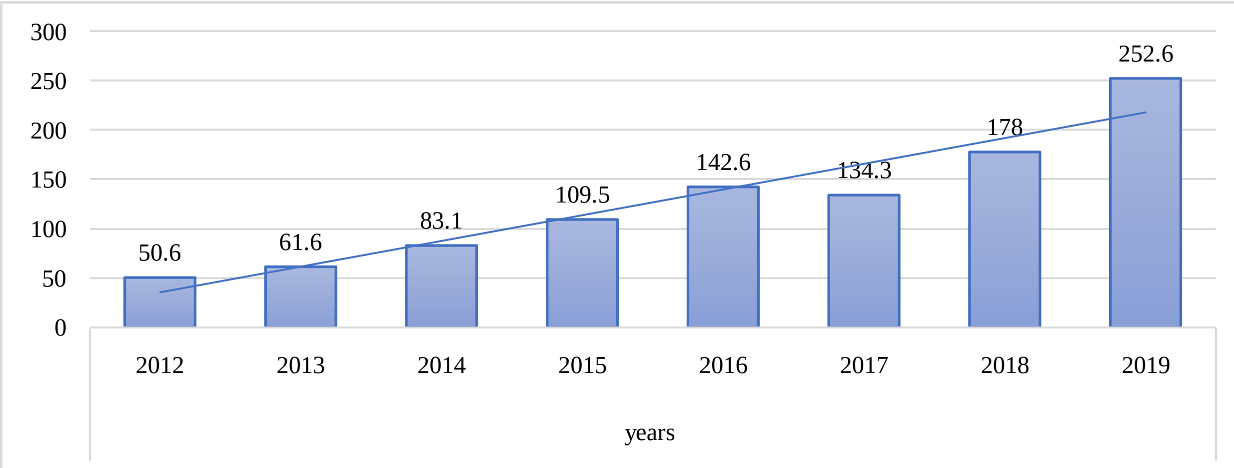

Figure 1. Analysis of the dynamics of insurance premium receipts of JSC "Uzagrosugurta" for 2012-2019 (billion soums)

In 2012, Uzagrosugurta JSC collected 50.6 billion soums of insurance premiums as a result of agricultural insurance, and in 2019 it reached 252.6 billion soums, which is 5 times more han in 2012.

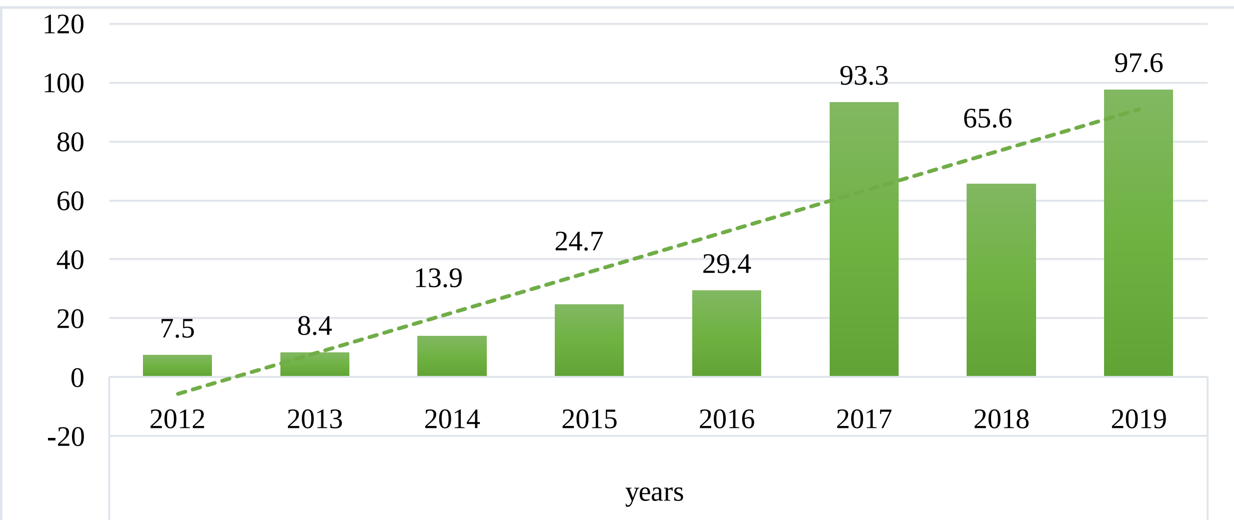

Figure 2. Analysis of the dynamics of insurance coverage of JSC "Uzagrosugurta" for 2012-2019 (billion soums)

In 2012, 7.5 billion soums of insurance coverage was paid to cover the damage caused by natural disasters. At the end of 2019, the company and its regional branches paid 97.6 billion soums to cover the losses of the insured.

Providing the population with a wide range of agricultural products and the country requires further development of insurance protection to prevent food insecurity. The development of the agricultural insurance system supports agriculture as a financial mechanism to mitigate and stimulate the economic crisis.

In order to alleviate the crisis in the context of the pandemic, JSC "Uzagrosugurta" paid 15 billion soums of insurance coverage to legal entities and individuals who have insurance contracts during the quarantine period. In order to cover the losses incurred in the insurance event in agriculture and other sectors of the economy, the implementation of operational calculations and payment of insurance premiums was controlled. At the same time, on the basis of establishing remote contacts with the insured, the society has organized work to justify their trust and provide quality services.

CONCLUSIONS AND SUGGESTIONS

In conclusion, the following recommendations should be made to address the above issues:

- Introduction of digital insurance methods in the insurance of agricultural enterprises producing agricultural products;

- Introduction of "smart insurance services" in the industry on the basis of identification of natural risks of agricultural enterprises producing agricultural products;

- In the insurance of agricultural crops there is a responsibility only for the harvest, and this process should be carried out from sowing to delivery, processing to the period of insurance liability;

- Introduction of a mechanism of state subsidies of insurance premiums paid by agricultural enterprises for insurance purposes;

- Improving the mechanism of agricultural insurance in the insurance of agricultural enterprises producing agricultural products.

It can be concluded that in the context of the coronavirus pandemic, the main goal of the country is to eliminate the effects of the pandemic, to provide insurance services based on the development of preferential insurance rates for businesses involved in ensuring food security of the population.

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CUSTOMER RELATIONSHIP MANAGEMENT (CRM) PRACTICES IN REGIONAL RURAL BANKS IN INDIA

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ABSTRACT

Today, banking sector has been facing stiff competition among intra and inter-banks on one side and foreign banks on other side after economic reforms. Banks have to make efforts to survive in a competitive global market. They have realized that managing customer relationships is a very important factor for their success in the long-run. Customer Relationship Management (CRM) is a strategy that can help them to build long-lasting relationships with their customers and increase their profits through the effective customer relationship management system and the application of customer-focused strategies. CRM strategy in the banking sector is of strategic importance. This paper to study about the CRM Practices in Regional Rural Banks in India.

KEYWORDS: *Banking, Customers, Customers Relationship Management, Rrbs.*

1.1 INTRODUCTION

CRM, or Customer relationship management, is a number of strategies and technologies that are used to build stronger relationships between companies and their customers. A company will store information that is related to their customers, and they will spend time analyzing it so that it can be used for this purpose. Some of the methods connected with CRM are automated, and the purpose of this is to create marketing strategies which are targeted towards specific customers. The strategies used will be dependent on the information that is contained within the system. Customer relationship management is commonly used by corporations, and they will focus on maintaining a strong relationship with their clients.

There are a number of reasons why CRM has become so important in the last 10 years. The competition in the global market has become highly competitive, and it has become easier for customers to switch companies if they are not happy with the service they receive. One of the primary goals of CRM is to maintain clients. When it is used effectively, a company will be able to build a relationship with their customers that can last a lifetime. Customer relationship management tools will generally come in the form of software. Each software program may vary in the way it approaches CRM. It is important to realize that CRM is more than just a technology.

Customer relationship management could be better defined as being a methodology, an approach that a company will use to achieve their goals. It should be directly connected to the philosophy of the company. It must guide all of its policies, and it must be an important part of customer service and marketing. If this is not done, the CRM system will become a failure. There are a number of things the ideal CRM system should have. It should allow the company to find the factors that interest their customers the most. A company must realize that it is impossible for them to succeed if they do not cater to the desires and needs of their customers. Customer relationship management is a powerful system that will allow them to do this.

The architecture of CRM can be broken down into three categories, and these are collaborative, operational, and analytical. The collaborative aspect of CRM deals with communication between companies and their clients. The operational aspect of the architecture deals with the concept of making certain processes automated. The analytical aspect of CRM architecture deals with analyzing customer information and using if for business intelligence purposes. Each one of these elements are critical for the success of a CRM system. A company must learn how to use all three properly, and when they do this proficiently, they will be able to build strong customer relationships and ensure their profits for a long period of time. As more businesses continue to compete on a global level, it will become more important for them to use successful Customer relationship management techniques.

1.2 Basic Concepts of CRM

1.2.1 Meaning of CRM

Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

At the heart of a perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering, and developing existing customer relationships in addition to creating and keeping new customers.

1.2.2 Definition of CRM

“Customer Relationship Management (CRM) is a co-ordinate approach to the selling process allowing the various operational, customer contact and sales promotional functions of an organization to function as a whole.”

1.3 CRM Objectives

1.3.1 Increase in Customer Service :

Establishing customer loyalty as one of your top CRM goals is absolutely fundamental to CRM successful implementation .For this task it is essential that the whole organization realize that they play a part in this goal. This objective cannot be achieved with the help of a few employees only. Customers need to feel that they have received excellent service. This ensures their continued patronage. This is by far one of the most essential goals of customer relationship management. Customer retention and brand loyalty is absolutely essential to ensure success. Undoubtedly it is far harder to gain a new customer than to actually keep one. Customer service is the pivotal point around which CRM revolves.

1.3.2 Increasing Efficiency:

One of the most important goals of CRM is the increase in organization efficiency and effectiveness. This is almost always adopted by every organization. It is necessitated by the fact that increase in efficiency is required to boost success. CRM achieves this through cost reduction and customer retention. Adequate CRM training achieves this goal.

1.3.3 Lowering Operating Costs:

CRM goals also include the reduction of costs of operation. This goal should be clearly established and conveyed to all those involved in the CRM implementation process. CRM manages to reduce operating costs through a workforce management system. This helps to maximize skills and thus reduce cost. These reduced costs enable an organization to achieve greater efficiency. If cost reduction is management's objective then the CRM implementation should be carried out in such a way that this is achieved. Throughout the process maximum reduction in costs should be adhered to in order to meet this particular CRM goal.

1.3.4 Aiding the Marketing Department:

Another goal of CRM is generally aiding the marketing department in all its efforts. This includes marketing campaigns, sales promotions etc. If this is fixated as one of the goals of CRM, then it should be communicated to those involved. This goal is fundamental as it boosts sales indirectly thereby increasing the profitability.

1.4 CRM AND BANKS

One of the banks' greatest assets is their knowledge of their customers. Banks can use this asset and turn it into key competitive advantage by retaining those customers who represent the highest lifetime value and profitability. Banks can develop customer relationships across a broad spectrum of touch points such as at bank branches, kiosks, ATMs, internet, electronic banking and call centres.

CRM is not a new phenomenon in the industry. Over the years, banks have invested heavily in CRM, especially in developing call centres, which, in the past, were designed to improve the process of inbound calls. In future, call centres will evolve to encompass more than just cost reduction and improved efficiency. According to Gartner Group, more than 80 per cent of all US banks will develop their call centres as alternative delivery channels and revenue centres, to be used for the delivery of existing products and services.But to be successful, a bank needs more than the ability to handle customer service calls. It needs a comprehensive CRM strategy in which all departments within the bank are integrated.

1.5 Need of CRM in Banks

Bank merely an organization it accepts deposits and lends money to the needy persons, but banking is the process associated with the activities of banks. It includes issuance of cheque and cards, monthly statements, timely announcement of new services, helping the customers to avail online and mobile banking etc. Huge growth of customer relationship management is predicted in the banking sector over the next few years.

Banks are aiming to increase customer profitability with any customer retention. This paper deals with the role of CRM in banking sector and the need for it is to increase customer value by using some analytical methods in CRM applications. It is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, pricing, discretionary decision making.

CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people. Establishing customer care support during on and off official hours, making timely information about interest payments, maturity of time deposit, issuing credit and debit cum ATM card, creating awareness regarding online and e-banking, adopting mobile request etc are required to keep regular relationship with customers. There is a shift from bank centric activities to customer centric activities are opted. The private sector banks in India deployed much innovative strategies to attract new customers and to retain existing customers. CRM in banking sector is still in evolutionary stage, it is the time for taking ideas from customers to enrich its service.

1.6 Benefits of CRM to Banks

Despite the fact that in most banks profits sometimes fail, they seldom pay attention to or adopt any customer strategy. It has long been the misconception that banks need not pay much attention to customer focus just because they had customers. Some banks even if they possess good customer relationships are unable to cross sell as they have not figured out who to target with what product/service. What happens is that customers are often approached for the wrong products.

Banking CRM software serves to increase the market share and boost growth in the banking industry. What happens in CRM banking solutions is that they change the way the employees think and mould them into customer conscious people. CRM induces bankers to know that they are required to maintain good relationships with their customers and should strive to retain them.

They are made to realize that the business process should consist of efforts to discover and satisfy customer requirements. Since the banking field now boasts of so much of technological innovations there has been a wide variety of innovations in CRM banking as well. Statistics show that bankers will spend $7 billion on CRM. The sector will also evidence an increase in expenditure of 14 percent each year. With such phenomenal statistics it is but a surety that CRM banking solutions sales will soar in the coming years.

Following are the Benefits of CRM to Banks:

- **CRM Banking Focuses on the Customer**

CRM manages to places the customer at the focal point of the organization in order to cater to his needs, satisfy him and thus maximize the profits of the organization. Banking CRM understands the needs of the customer and integrates it with people, technology, resources and business rocesses. It focuses on the existing data available in the organization and uses it to improve its relationship with customers. Banking CRM uses information and analytical tools to secure customer focus. Thus it is completely essential that banks implement CRM in order to secure this.

- **Overall Profitability**

CRM enables banks to give employee's better training that helps them face customers easily. It achieves better infrastructure and ultimately contributes to better overall performance. The byproducts of CRM banking solutions are customer acquisition, retention and profitability. Banks that don't implement CRM will undoubtedly find themselves with lesser profitability coupled with a sharp decline in the number of customers.

- **Satisfied Customers**

It is important to make a customer feel as if he / she is the only one - this will go a long way in satisfying and retaining them. Bankers need a return on investment and it has been proved that increase in customer satisfaction more than contributes a fair share to ROI. The main value of CRM banking lies in satisfaction and increased retention of customers.

- **Centralized Information**

CRM banking solutions manage to clearly integrate people, processes and technology. CRM banking provides banks with a holistic view of all bank transactions and customer information as well and stores it in a single data warehouse where it can be studied later.

- **CRM Banking Boosts Small Banks**

Banking CRM software meets the needs of banks of all sizes in terms of attaining the required accuracy and understanding of customers. Merely assuming that banks that are considerably smaller in size have a better customer approach and are able to deal with their customers in a better manner is wrong.

They are just as much in need of CRM aid as the others. Small banks on account of a limited amount of money have had to realize that a large contribution to profits is directly the result of good customer service. CRM makes sure that the bank delivers exactly what the customer expects.

- **Customer Segregation**

CRM enables a bank to see which customers are costing them and which are bringing benefits. CRM provides them with the required analytical tools that will help them focus on the importance of segregating these two and doing what is required to avail of the maximum returns.

After this segregation is done CRM easily enables banks to increase their communication and cross-selling to their customers effectively and efficiently.

- **Improved Cross-sell Framework**

The solution presents a unified 360° view of the customer, allowing single point access to all the relationships the customer has forged with the bank. This along with robust customer analytics effectively supports true relationship banking, providing a robust framework for cross-sell opportunities.

CRM solution also integrates with other white labeled solutions to facilitate contextual and personalized customer engagement, with a keen focus on right-talk driven right-sell.

- **Increased Operational Efficiencies and Collaboration**

CRM solution supports business automation for processes and business activities, eliminating manual tasks and reducing process time. Straight through processing abilities enhance reduction in turnaround and processing time, increasing output and enabling speedy completion of tasks. The multilingual Web-based single repository of information enables remotely located bankers to collaborate and transact seamlessly.

- **Campaign Management**

Banks need to identify customers, tailor products and services to meet their needs and sell these products to them. CRM achieves this through Campaign Management by analyzing data from banks internal applications or by importing data from external applications to evaluate customer profitability and designing comprehensive customer profiles in terms of individual lifestyle preferences, income levels and other related criteria.

Based on these profiles, banks can identify the most lucrative customers and customer segments, and execute targeted, personalized multi-channel marketing campaigns to reach these customers and maximize the lifetime value of those relationships.

- **Personalized sales home page**

CRM can provide a single view where Sales Mangers and agents can get all the most up-to-date information in one place, including opportunity, account, news, and expense report information. This would make sales decision fast and consistent.

- **Benefits of CRM to Customers**

Customer relationships are becoming even more important for banks as market conditions get harder. Competition is increasing, margins are eroding, customers are becoming more demanding and the life-cycles of products and services are shortening dramatically. All these forces make it necessary for banks to intensify the relationship with their customers and offer them the services they need via the channels they prefer.

CRM helps banks to provide lot of benefits to their customers; some key benefits are as follow.

- Service provisioning throughout the entire life cycle of the corporate customer, from the initial stages to the establishment of a close, long-term relationship with profitable clients,
- Optimization of the use of bank resources, such as alternative channels of distribution (internet and home banking),
- Significant reduction in and limitation of operational costs through system automation and standardization,

- Low maintenance and expansion costs owing to the use of modern administration tools which allow bank employees to make a wide range of modifications to the system
- CRM permits businesses to leverage information from their databases to achieve customer retention and to cross-sell new products and services to existing customers.
- Companies that implement CRM make better relationships with their customers, achieve loyal customers and a substantial payback, increased revenue and reduced cost.
- Eventually, CRM results both in higher revenues and lower costs, making companies more effective and efficient: effective in targeting the right customer base with the right services via the right channels, and efficient in doing this at the lowest costs. For example, those banks that are moving transactions from the more expensive channels to a less costly channel – like the call centre or Internet– are therefore able to save money.

1.7 Regional Rural Banks – An Overview

1.7.1 History of RRBs:

A Regional Rural Bank is popularly known as "Gramin bank". The development process of RRBs started with the promulgation of an Ordinance promulgated on 26th September 1975 (which later on was replaced with Regional Rural Bank Act, 1976) with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. It was on 2nd October 1975, that the first RRB, named the Prathama Bank came into existence.

RRBs were set up on the recommendations of The Narasimham Working Group as at that that time about 70% of the Indian Population was of Rural Orientation. It was in order to provide access to low-cost banking facilities to the poor, that the Narasimham Working Group (1975) proposed the establishment of a new set of banks, as institutions which "combine the local feel and the familiarity with rural problems which the cooperatives possess and the degree of business organization, ability to mobilize deposits, access to central money markets and modernized outlook which the commercial banks have". However, as RRBs came into existence during emergency period and thus this move is sometimes dubbed as a deviation tactic by Mrs Indira Gandhi. Some of the features of this type of banking were :-

- RRBs were mainly established to meet the credit requirement of small and marginal farmers, landless labour, and artisans of rural India with a focus on agro sector
- In few years RRBs penetrated every corner of the country and extended a helping hand in the growth process of the country.
- These were envisaged as a low cost financial intermediation structure in the rural areas to ensure sufficient flow of institutional credit for agriculture and other rural sectors.
- RRBs were expected to have the local feel and familiarity of the cooperative banks with the managerial expertise of the commercial banks.

1.7.2 Objectives of Regional Rural Banks:

The importance of the rural banking in the economic development of a country cannot be overlooked. As Gandhiji said “Real India lies in Villages,” and village economy is the backbone of Indian economy. Without the upliftment of the rural economy as well as the rural people of our country, the objectives of economic planning cannot be achieved. In fact, the real growth of Indian economy lied in the freeing of rural masses from acute poverty, unemployment, and socio-economic backwardness.

Regional Rural Banks (RRBs) are oriented towards meeting the needs of the weaker sections of the rural population consisting of :

- ✓ Small and marginal farmers,
- ✓ Agricultural labourers,
- ✓ Artisans,
- ✓ Small entrepreneurs,
- ✓ Mobalise deposits from rural households

RRBs are expected to make credit available to rural households besides inspiring carefulness. Put it simple to ensure sufficient institutional credit for agriculture and other rural sectors.

The Credit Delivery System :

- Grant of credit at cheap or concessional rates
- Lending to individuals belonging to weaker sections without checking the viability of the activity proposed to be undertaken.

1.7.3 Structure of Regional Rural Banks:

In RRBs, there are three share holder namely Government of India (50% share), Sponser bank (35% share), and State Government (15% share). Thus, we can say RRBs are jointly owned by GoI, Sponsor Bank and respective State Government.

1.8 Challenges Faced by Regional Rural Banks in Successful Implementation of CRM

The most pervasive challenges to effective customer knowledge include:

- ❖ The difficulty of obtaining a complete view of customers.
- ❖ The need to move away from disjointed, standalone, and inconsistent channels to provide a cohesive, multichannel offering.
- ❖ The burden of disconnected legacy systems and disparate databases that store client financial data.
- ❖ The cost and complexity of meeting stringent government regulatory and client security and privacy requirements.
- ❖ The pressure on margins and growth prospects from increased competition.
- ❖ The costs associated with retaining customers and developing customer loyalty.

A lot of banks underestimate the magnitude of CRM. They tend to treat it just like any other application technology, without realizing that CRM, if done properly, is a strategic initiative that touches all areas of an organization. According to CRM software firm People soft*, banks need to be aware of three key problems:*

- ➢ **<u>Measuring CRM benefits</u>**

A key basic CRM challenge is establishing the measurement method. Banks may find it hard to build the initial business case justification and then to prove the worth or success of their investment What makes the latter task even more difficult is the fact that the metrics that are best used to justify a significant IT investment are not always the most appropriate for evaluating ongoing success.

Since the majority of CRM projects are expensive multiphase and multiyear projects that often involve multiple technologies, the funding for CRM projects is also often phased. CRM sponsors grant funding to project leaders at the completion of one phase and start of the next. To ensure that the subsequent phases will get funding, project leaders typically build into each phase of a CRM project demonstrable business benefits.

At completion of each phase of a project, business benefits are expected to accrue rapidly to the bank. Revenue generation--whether through sales or marketing improvements--is the preferred business benefit for CRM project sponsors. Not surprisingly, it is far easier to continue funding large, intricate IT projects when incremental revenue generation can be squarely identified.

- **Customer profitability**

Many banks use profitability as a key component in determining how to treat their customers. But measuring profit in a bank is not an easy task. Many banks allow the use of an accountant's approach to the measurement process. This means the accounting and finance people are in charge of the process, resulting in textbook-accurate allocations that often do not accurately reflect the activities they are intended to measure.

For example, most bank costs are step-fixed. This means they are neither purely fixed nor purely variable, with the resource able to process only a finite number of transactions before more investment is required. The way the step-fixed resources are allocated can dramatically affect the resulting measurement of account level profitability.

- **The 80-20 Rule**

Most banks make critical pricing decisions based on the so-called 80-20 rule, the notion that 80 per cent of profits derive from 20 per cent of customers. This may be true, but the use of incomplete or inaccurate cost information and unproven hypotheses on customer buying behavior make this rule difficult to apply. One significant problem is that banks let their customers use the bank's products and services in an unprofitable way.

By providing a lower level of service to these customers, the bank faces the danger of driving them away to institutions that provide better service. Given the step-fixed nature of bank costs as discussed, banks should not view losing unprofitable customers as the way to improved profits.

1.9 Method of Effective CRM Implementation in Regional Rural Banks

Banks can take several steps to strengthen their customer relationship management in an effective manner.

1.9.1 Acknowledge email enquiries

At the very minimum, banks should send out an automated email response that acknowledges receipt of a customer's email and lets the sender know when to expect a more complete response.

It is then vital to get back to the customer within the promised time frame. Banks can earn more customer goodwill if they respond faster than the imposed deadline. To handle significant volumes of email, banks need adequate routing technology. Many banks regard a voice call centre as a cost of doing business, but they don't look at it the same way with email.

1.9.2 Develop the right contact strategy

By knowing which offers and incentives to offer to which customers and when, banks will not annoy customers with unwanted marketing offers, building customer loyalty along the way. Such goals can be at least as important as realizing cross-sell opportunities.

1.9.3 Providing online `chatting'

An alternative to telephone support, online chatting is providing a service via emails or any other form of immediate response. This service also offers some of the immediacy of the phone but primarily allows customers to remain online. With online chatting, service agents can usually handle between one and three customer inquiries at once.

Given that the average call lasts about four minutes, a customer-service representative can handle 10 to 12 customers per hour using "chat", compared with six to eight per hour over the telephone. One of chat's important advantages is that it keeps customers in an online store environment where they remain exposed to merchandise and promotions.

1.9.4Reduce costs by improving website design and self-service

Email, telephone support, and chat all involve considerable staffing costs. But to reduce these expenses a site should anticipate customer needs. Sites that is difficult to navigate and don't provide needed information chase away some customers and force those who stay to resort to more expensive channels to satisfy their service needs.

1.9.5 Analyses the project's scope

Before recommending or embracing CRM, bank executives must analyses the business issues, the customer relationship model and the exact nature of customer interactions and how they tie together. Banks should not embrace top-line growth as an objective until they can understand precisely how CRM technology will provide those new revenues.

1.9.6 Know thy limitations

Many CRM implementations are severely limited because they fail to provide a complete and meaningful view of the customer. CRM is primarily a business program, and it requires a genuine partnership between various departments to ensure that both business and technology issues are managed effectively.

Furthermore, CRM not only takes existing business processes and makes them more efficient, but it also requires these processes to be modified. For a CRM implementation to be successful, decision makers within the bank need to make sure that all the stakeholders understand and support the required process changes.

1.10 Present Status (August 2014) and Future Plans for Regional Rural Banks

As per reports of June, 2014, Government of India has put on hold further amalgamation of RRBs. As per newspaper reports (June 2014), GoI has conveyed to the sponsor banks that no fresh proposal of amalgamation of RRBs should be taken up at present.

- Therefore, at present the focus for RRBs will be on improving their performance including their profitability. A Bill to amend the RRB Act is being considered by the parliamentary standing committee on finance. The amendments are aimed at increasing the pool of investors to tap capital for RRBs. Thus, Government is exploring a new class of investors to raise capital for these banks.

In a communiqué to the heads of public sector banks, the finance ministry said there was a need to tap other sources of capital for RRBs.

- Government of has been making various effort to make RRBs a profitable institution by infusing fresh capital, by allowing RRBs .to lend commercial projects, consortium finance, foreign currency, insurance business on referral basis.

- RRBs are also fast moving towards core banking solution for effectiveness and to increase customer base. Over 20 RRBs are already on CBS platform

1.11 CONCLUSION

Banking can be mysterious for consumers and how they interact with their finances can be a complex matter. The challenges faced by banks and their customers are many but the trick lies in de-mystifying complex financial relationships.

Technical solutions deployed by banks today are flexible, user-friendly and meant to facilitate specific workflow and requirements in implementation processes. In order to simplify lives, banks have begun to implement end-to-end technologies through all departments with the intention of removing human error from processes. Previously existing manual environments could not have been adequate for future visions, growth plans and strategies.

In this day and age, customers enjoy complete luxury in terms of customized technical solutions and banks use the same to cement long-term, mutually-beneficial relationships. For a bank to succeed in adopting a CRM philosophy of doing business, bank management must first understand CRM as a holistic concept that involves multiple, interlocking disciplines, including market knowledge, strategic planning, business process improvement, product design and pricing analysis, technology implementation, human resources management, customer retention, and sales management and training. Turning the business strategy into actionable items is a difficult undertaking. For which Customer Relationship Management works a magic wand.

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CURRENT ISSUES OF REGULATION OF TAX RELATIONS

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ABSTRACT

Taxes are the main source of government revenue. Therefore, in countries based on market relations, great attention is paid to the development of optimal tax policy and its continuous reform. Although Uzbekistan is an ancient country with tax relations, it was abolished during the former Soviet Union. During the years of independence, tax relations have been re-formed in accordance with the new era. But this process is a bit more difficult, because the same situation can be observed in all countries that are transitioning from a planned economy to a market economy. As a result of research conducted in the framework of the article, suggestions and recommendations were made to improve the tax legislation of Uzbekistan.

KEYWORDS: *Taxes, Tax Relations, Tax Policy, Optimal Tax Policy, Taxpayers, Tax Authorities, Tax Liability, Subjects Of Tax Relations.*

INTRODUCTION

Since taxes are the main source of replenishment of the state treasury in the context of market relations, they should be considered as an incentive to form the revenue side of the state budget, to accumulate the necessary funds to address the most important public tasks. Taxes, along with being a purposeful fiscal policy, redistribute a part of the gross national product and thus directly participate in changing the structural structure of the economy, ensuring social protection of the population.

In the first years of independence, the main goal of the tax policy of Uzbekistan was mainly to ensure the interests of the state, that is, to collect more funds in the state budget. In recent years, based on the principle of "strong state - strong civil society", its goal is to ensure the rule of law and stimulate economic development. The analysis of the economies of developed and developing countries shows that the system of socio-economic relations at all levels of society should be constantly studied and consistent reforms should be carried out based on the results of research. The fiscal policy of any state must ensure that, in addition to raising funds for the treasury, it also serves the development of sectors of the economy. Therefore, in the development of the tax concept approved by the Decree of the President of the Republic of Uzbekistan, special attention was paid to the support of business entities [1].

Purpose of the Study

The effectiveness of the regulation of tax relations is characterized by a reduction in the number of tax disputes, improved cooperation between taxpayers and the state tax service, and an increase in the quality of tax enforcement. Therefore, it is important to develop recommendations for improving the mechanisms for regulating the relationship between taxpayers and tax authorities, based on the study of related national and foreign practices in the regulation of tax relations.

The Main Part

All processes in the life of the state and society, in the system of social, economic and legal relations take place on the basis of the existing laws of dialectics. Therefore, in addition to dialectical methods, the above-mentioned general methods of economics are used in the study of existing problems on the basis of national and foreign experience. The fundamental legal basis of tax relations between the state and taxpayers is defined in the constitution as the obligations of citizens, which is usually the encyclopedic document of most states. Issues such as the types of taxes, their determination, abolition, calculation, collection and liability for violation of tax legislation are regulated by separate laws.

The Constitution of the Republic of Uzbekistan (Article 51) stipulates a constitutional obligation that "citizens are obliged to pay taxes and local fees established by law" [2]. In most countries of the world, paying taxes is a constitutional obligation.

However, an analysis of the fact that the constitutions of some countries reflect their tax relations shows that the procedure for determining the tax liability in the constitution is not specific to most countries (Table 1).

The analysis shows that in the constitutions of the United States, many European countries, and India, the payment of taxes and mandatory payments is not defined as an obligation for citizens, the population (stateless persons) [3].

At the same time, in most countries (China, Belarus, Kyrgyzstan, South Korea, Uzbekistan) [4] the obligation to pay taxes is imposed only on citizens. In all analyzed countries, the issues of taxation of legal entities and non-residents are not considered.

But in all countries of the world, in addition to citizens, non-residents and legal entities are recognized as taxpayers in tax legislation. In addition to the taxes paid by the state in which the income is earned, taxpayers pay tax on the difference that exists in their own country if there is a difference in tax rates.

The definition of tax liability in the constitutions of states

TABLE 1

No_	Name of countries	Article of the Constitution	The content of the article
1.	Uzbekistan	51	Citizens are obliged to pay taxes and local fees established by law.
2.	Austria	-	-

3.	United Kingdom	-	-
4.	Russia	57	Everyone is obliged to pay taxes and fees established by law.
5.	Kazakhstan	35	It is the duty and obligation of all to pay taxes, fees and other obligatory payments established by law.
6.	Ukraine	67	Each (person) is obliged to pay taxes and fees in the amount prescribed by law.
7.	Belarus	56	Citizens of the Republic of Belarus participate in the financing of public expenditures by paying state taxes, duties and other charges.
8.	Kyrgyzstan	25	Citizens of the Kyrgyz Republic are obliged to pay taxes and fees in accordance with the law.
9.	Georgia	67	All are obliged to pay taxes and fees in the amounts and procedures prescribed by law.
10.	Armenia	Article 60.8-band	Everyone is obliged to pay taxes, duties and other obligatory payments to the state and local budgets in the amount established by law.
11.	Azerbaijan	73-1	It is the duty of all to pay taxes and other state duties in full and on time, as prescribed by law.
12.	Tajikistan	45	Everyone is obliged to pay taxes and fees established by law.
13.	Turkmenistan	59	Everyone is obliged to pay taxes and other fees in the manner and amount prescribed by law.
14.	China	19	Citizens are required by law to pay taxes.
15.	Japan	30	The population must be taxed in accordance with the law.
16.	South Korea	38	All citizens are obliged to pay taxes under the conditions established by law.
17.	Poland	84	Everyone is obliged to comply with the restrictions and requirements set by the public authorities, including the payment of taxes prescribed by law.
18.	United States	-	-

Although the tax liability is defined in the constitution and laws, its occurrence also requires certain circumstances. For example, a tax liability must have a system of tax relations consisting of a set of elements such as types of taxes, rates, taxpayers and the object of taxation, established in accordance with the tax legislation, and the tax administration.

The current status of the norm of tax liability established by the Constitution of Uzbekistan is conditional on the payment of taxes only to citizens. However, in the new version of the Tax Code (as well as in the old one), in addition to citizens, stateless persons, non-residents, legal entities are also taxpayers. In accordance with the tax legislation of Uzbekistan, all persons in this category (individuals and legal entities) are obliged to pay taxes. At the same time, there are inconsistencies in the basic encyclopedia and tax legislation. Similar cases exist in the constitutions of some of the countries analyzed (Belarus, Kyrgyzstan, China, South Korea). However, although the encyclopedias of most countries define the obligation to pay taxes only as an obligation to citizens, we believe that this discrepancy is an issue that needs to be addressed and has significant socio-economic and political significance.

RESULTS AND DISCUSSION

Participants in tax relations are their subjects, an important feature of which is that they are individuals with specific rights and obligations established by law. Our research shows that a group of scholars proposed a system of rights and obligations into three groups, while a second group of scholars suggested dividing it into four groups. The second group of scholars recommended dividing the system of tax rights and obligations into the following groups [5];

- *possession of tax legal capacity, ie the ability to have a certain set of rights and obligations, regardless of participation in other tax-legal relations;*

- *legal capacity, ie the ability of an individual to independently perform legally significant actions;*

- *tax solvency, ie the ability to be held accountable for their actions in relation to tax offenses;*

- *ability to enter into tax proceedings, ie to be able to personally enter into civil agreements.*

Therefore, the subjects of tax legal relations are individuals and legal entities with certain rights and obligations provided for in the tax legislation. On the one hand, they are taxpayers, and on the other hand, the state tax service and other competent authorities that have the right to exercise tax control powers. Such a classification of the subjects of tax relations represents the distribution of the legal regulation of tax relations in terms of the ratio of private and public principles. This fully reflects the specificity of their interests and serves to explain the existence of contradictions and conflicts.

As mentioned above, the Constitution of the Republic of Uzbekistan stipulates that citizens are obliged to pay taxes and local fees established by law. [2]. Payment of taxes and local fees established by law is the duty of every citizen of the Republic of Uzbekistan. Hence, given that the performance of the duty is carried out on a voluntary basis, taxes and local levies must be paid on a voluntary basis within a specified period, by the full taxpayer, without the application of administrative measures by the tax authorities.

However, according to the current legislation, if a taxpayer does not properly fulfill its tax obligations (duty), its actions (inaction) are assessed as abuse, and mandatory measures of influence of the tax administration are applied to ensure the fulfillment of tax obligations.

Therefore, the obligations, duties of taxpayers, the types and amounts of penalties for tax evasion have been liberalized by the state. In the 90s of the XX century in the Republic of Uzbekistan began the process of formation of market relations, during which time the taxpayers had many obligations and responsibilities, and the level of financial penalties for tax offenses was high.

The Law of the Republic of Uzbekistan “On Taxes on Enterprises, Associations and Organizations” of February 15, 1991 [6] imposed 7 types of obligations on taxpayers.

In addition, officials of taxpayers were required to sign a document on the inspection conducted by the tax office, and in case of disagreement with the facts stated in the document, to provide a written explanation of the reasons for disagreement. They were also obliged to comply with the requirements of the tax administration to eliminate the violations identified as a result of the inspection of the implementation of tax laws.

Taxpayers and their officials are responsible for the correct calculation of taxes, their full and timely payment to the budget, compliance with applicable tax legislation, and the following financial penalties are imposed for the offense:

- *For concealment (understatement) of taxable income in practice, a fine in the amount of the full (reduced) part of the income and the hidden (reduced) part of the income, and a fine in the amount of two shares in case of repeated violations;*
- *Concealment of income received in freely convertible currency is recalculated by recalculating the amount of income in two shares at a special rate of the state bank.*

In order to further improve the system of protection of the rights and legitimate interests of business entities, to create favorable legal and economic conditions for doing business, penalties for tax offenses have been liberalized [7].

Constant changes in the field of economic, social and socio-political relations require the need to amend the current tax legislation through a system of tax incentives and financial sanctions. Regulation of tax liabilities in the system of tax relations is a complex action of state tax policy, as its purpose is not only to comply with the fiscal interests of the state, but also to ensure the interests of the taxpayer, as well as to provide the necessary conditions for economic growth and welfare.

CONCLUSION

According to Article 15 of the new edition of the Tax Code of the Republic of Uzbekistan [8], a new concept of "adequate caution", which did not exist before, was introduced into practice. According to the law "*In the selection of contractors in tax relations, it is necessary to check that they are registered as taxpayers in the tax authorities, the business reputation of the counterparty, the availability of production facilities and employees, financial condition, ability to fulfill obligations under the contract* ". The requirement of Part 1 of this Article imposes on the taxpayer the obligation to study the information on the legality of its activities in the course of entering into economic relations with its client. The need to introduce this procedure in the practice of taxation is to prevent the practice of reducing the amount of taxes to the tax base and the budget as a result of mutual agreement or negligence of taxpayers, as well as to eliminate the system of reimbursement of unpaid taxes from the budget. Therefore, the introduction of this procedure can be considered as a tried and tested practice in foreign experience.

Failure to comply with the requirements of Part 1 of this Article of the Tax Code, which came into force on January 1, 2020, may deprive the taxpayer of the right to deduct expenses (losses) from the tax base. In order not to be deprived of the right to deduct expenses (losses) in accordance with the tax legislation, the taxpayer is required to study the following information on the legality of their activities when concluding a contract with contractors (customers):

- *that the client is registered with the tax authorities as a taxpayer;*
- *the business reputation of the contractor;*
- *availability of production base and staff to fulfill the obligation;*
- *Financial condition;*
- *ability to meet obligations under the agreement*.

Failure to comply with these requirements by the taxpayer shall result in non-recognition for tax purposes of expenses (losses incurred) under transactions concluded for non-fulfillment of tax obligations.

Part 1 of Article 333 of the Civil Code of the Republic of Uzbekistan [9] stipulates that the debtor is liable if he is guilty of non-performance or improper performance of his obligation, unless otherwise provided by law or contract. In such cases, as required by law, the debtor must prove that he has taken all measures related to the proper performance of his obligation.

Currently, the portal of e-government services of the tax authorities does not contain the necessary information to verify the business reputation, production base and availability of employees, financial condition and ability to fulfill obligations under the transaction. However, according to the current legislation, the state tax service bodies have the right to require taxpayers not to deduct expenses (losses) from the tax base due to non-compliance with the requirements of the tax legislation.

This situation, firstly, creates an artificial barrier to the activities of business entities, and secondly, leads to different interpretations of the concept of "adequate caution" by the tax authorities, depriving taxpayers of the right to tax deductions, as well as taxpayers and tax authorities. increases tax disputes between.

In addition, in our opinion, the lack of a database on the implementation of the provisions of this article creates conditions for employees of public tax authorities, officials to abuse their powers. This has a negative impact on the work being done in our country to strengthen cooperation between taxpayers and state tax authorities.

In order to prevent the occurrence of the above-mentioned adverse events and ensure compliance with the requirements of tax legislation, information on their registration as taxpayers, their business reputation, the necessary production base and staff, financial condition and ability to fulfill obligations under the transaction. We believe that the rules of use should be determined by the normative document.

To this end, the Cabinet of Ministers approved the Regulation "On the database of criteria for the use of due diligence of taxpayers", the formation of a "database for due diligence" on the portals of e-government services of tax authorities and the Ministry of Justice. The taxpayer should be able to receive the required information from these databases electronically within one hour.

In our opinion, this innovation in tax legislation is a norm that aggravates the activities of taxpayers. Article 11 of the Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity" (new edition) establishes the priority of the rights of the subject of entrepreneurial activity [10]. According to the requirements of this article "Government agencies of business entities, including law enforcement and regulatory agencies, as well as the principle of priority of the rights of the business entity in its relations with banks, interpretation of all irreconcilable contradictions and uncertainties arising in connection with the implementation of entrepreneurial activity in the legislation in accordance with it in favor of the business entity" is necessary.

Based on the above, in order to eliminate inconsistencies in the provisions of the law on tax liability:

- The current wording of Article 51 of the Constitution of the Republic of Uzbekistan is "All persons are obliged to pay taxes and local fees established by law" change the content;

- Article 22 of the Tax Code on taxpayer obligations *"take appropriate precautions",* to the article on the obligations of the tax authorities (art. 27) *"provides taxpayers with the information they need to take the necessary precautionary measures on a regular basis"* add content additions;
- We believe that it is necessary to take the necessary precautionary measures and make a government decision to establish uniform mechanisms for regulating the payment of tax arrears in installments.

The implementation of these proposals will serve to negatively affect the activities of business entities, prevent economic damage to taxpayers, reduce taxpayers' complaints and tax disputes, and eliminate corruption in the state tax service.

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AUDIT OF FINANCIAL STATEMENTS: DIRECTIONS FOR EVALUATION OF INTERNAL CONTROL SYSTEM

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ABSTRACT

This article discusses the issues of evaluating the effectiveness of the internal control system during the audit of financial statements. As a result of the studies, the elements of the components of the internal control system in business entities were clarified. Also, this article describes the components of an internal control system.

KEYWORDS: *Internal Control, Internal Control System, Audit, Audit Activity, Audit Of Financial Statements, International Audit Standards, Fraud.*

INTRODUCTION

In the current situation, the interest of business owners and managers in the effective and reliable operation of internal control is growing. An internal control system is a set of organizational measures, methods, and procedures used by an entity's management to conduct business in an orderly and efficient manner, ensure the safety of assets, and prevent data corruption. A broad interpretation of the goals and objectives of the control functions of management, the diversity of existing forms of organization of the internal control service in practice determines the complexity of developing an optimal structure of criteria for assessing the effectiveness of the internal control system.

Methods for assessing the effectiveness of the internal control system in the audit of financial statements are based on the application of auditing procedures provided for in international auditing standards. One of the directions of improving the internal control system is a process approach to management. Insufficient formalization of the internal control process, the lack of corporate standards and regulations do not allow addressing the organizational and methodological issues of the implementation of the control function in the management environment.

LITERARTURE REVIEW

The issues of the system of internal control in business entities are widely covered in normative-legal documents and in the works of economists. In particular, according to Article 21 of the Law of the Republic of Uzbekistan "On Accounting", "Internal control is organized on the basis of the accounting policy adopted by the head of the accounting entity in order to ensure the legality, economic feasibility, integrity of assets, prevention and detection of robberies and errors in accounting, financial and other reporting; is a system of measures taken" [1].

In accordance with the International Standard on Auditing No. 315 "Identification and assessment of the risks of significant violations on the basis of knowledge of the business entity and its environment"; internal control - persons entrusted with the management to ensure a reasonable level of confidence in the achievement of the objectives of the business entity, aimed at the reliability of financial reporting, efficiency and effectiveness of activities and compliance with the legislation; a process that is developed, implemented, and maintained by management and other staff [3].

According to Doctor of Economics A. Avlokulov, the purpose of the assessment of the internal control system is to correctly determine the timing and scope of the audit. By evaluating the internal control system itself, the client business performance inspection program can be correctly identified. In addition, by evaluating the internal control system, the audit firm can advise the client on its regulation and improvement in the enterprise [4, 2012].

According to another group of economists, a well-established system of internal control helps to identify errors and shortcomings in the organization in a timely manner and to work effectively [5, 2015].

Some scholars have noted: "Accurate assessment of the effectiveness of the internal control system plays an important role in the audit of financial statements. International auditing standards also pay close attention to the issues of internal control system in the quality of audits" [7, 2012].

According to economists V. Lakis and L. Giriunas, one of the most important tools of enterprise management in modern economic conditions is an effective system of internal control, which serves to create priorities for success among competing enterprises [8, 2012].

D.Dimitrievich, V.Milovanovich, V.Stanchich concluded that the system of internal control is a set of actions that control the effectiveness of the company and serve to ensure the achievement of its goals [6, 2015].

From the above considerations, it can be seen that a lot of research has been done on the internal control system. However, most studies do not pay enough attention to the factors influencing the organization of the internal control system and research to reduce audit risk in this process.

ANALYSIS AND RESULTS

When conducting an audit of financial statements, the auditor should have knowledge of the internal control system required to conduct the audit. The auditor uses this knowledge to determine the potential misstatement of the financial statements, as well as to plan the nature, timing and scope of the audit.

The auditor is responsible for identifying and assessing the audited entity's activities and the environment in which it is performed, including the internal control system, the risk of material misstatement of the financial statements resulting from errors or misconduct by the audited entity's management or staff, and planning and implementing follow-up audits should learn enough. Similar requirements are set out in international auditing standards.

These requirements are governed by International Standards on Auditing No. 315, “Identifying and Assessing the Risks of Significant Violations Based on Knowledge of the Business Entity and its Environment”. The purpose of the auditor's assessment of the internal control system in the audit of financial statements is to identify the risks of material misstatements in the financial statements and to carefully plan and conduct the audit.

It is known that understanding the internal control system is of great importance in conducting financial audit. In particular, this understanding provides a basis for assessing the risk of serious misstatement of audit planning and financial statements and for expressing the auditor's professional views on responding to those risks in the audit, such as:

- to determine the level of materiality in the audit process and to assess whether the decision remains unchanged;

- reviewing the appropriateness of the choice and application of accounting policies and the transparency of information in the financial statements;

- identification of the object of the audit, which requires special attention of the auditor, in particular, the relationship with the parties, the continuity of the organization or the assumptions of management to study the objectives of business operations;

- planning and implementation of subsequent audit activities in order to minimize audit risk;

- assessment of the appropriateness and appropriateness of the audit evidence obtained, as well as oral and written information and explanations of the management of the audited entity.

Figure 1 show the responsibilities of the external auditor in assessing the effectiveness of the controls established by International Standard on Auditing No. 315, “Identifying and assessing the risks of material misstatement based on knowledge of the business entity and its environment”.

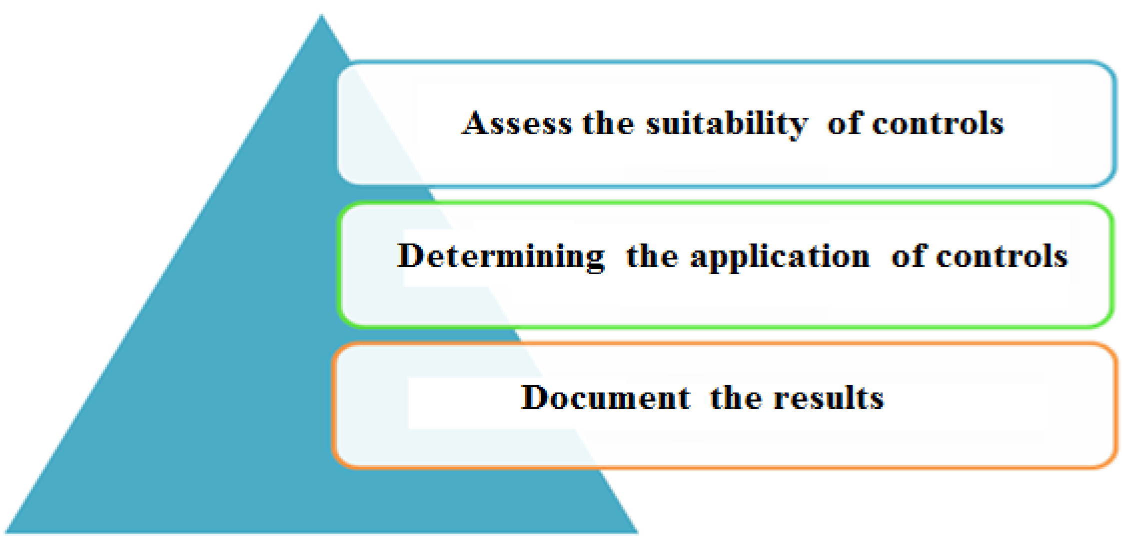

Figure 1. Obligations of the external auditor to evaluate the effectiveness of controls[1]

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The organization's control tools include reviewing its ability to prevent or detect and correct significant violations. The auditor should assess whether the risk of material misstatement of the financial statements can be reduced or prevented.

In our view, the auditor should determine the status of the use of controls across the five components of the internal control system: the control environment; the process of risk assessment of the inspected person; information system related to the preparation of financial statements; control procedures; monitoring of control means.

The elements of the control environment to be evaluated by the external auditor are shown in Figure 2.

The external auditor evaluates the effectiveness of the elements of the control environment by obtaining audit evidence. In gathering audit evidence, the auditor may use the following actions: control, audit, inquiry, calculation, analytical actions, external confirmation, re-examination. The model of evaluation of elements of the control environment by the external auditor provides that the auditor obtains appropriate audit evidence of the use of elements of the control environment by combining inquiries and other risk assessment procedures, tracking or reviewing documents.

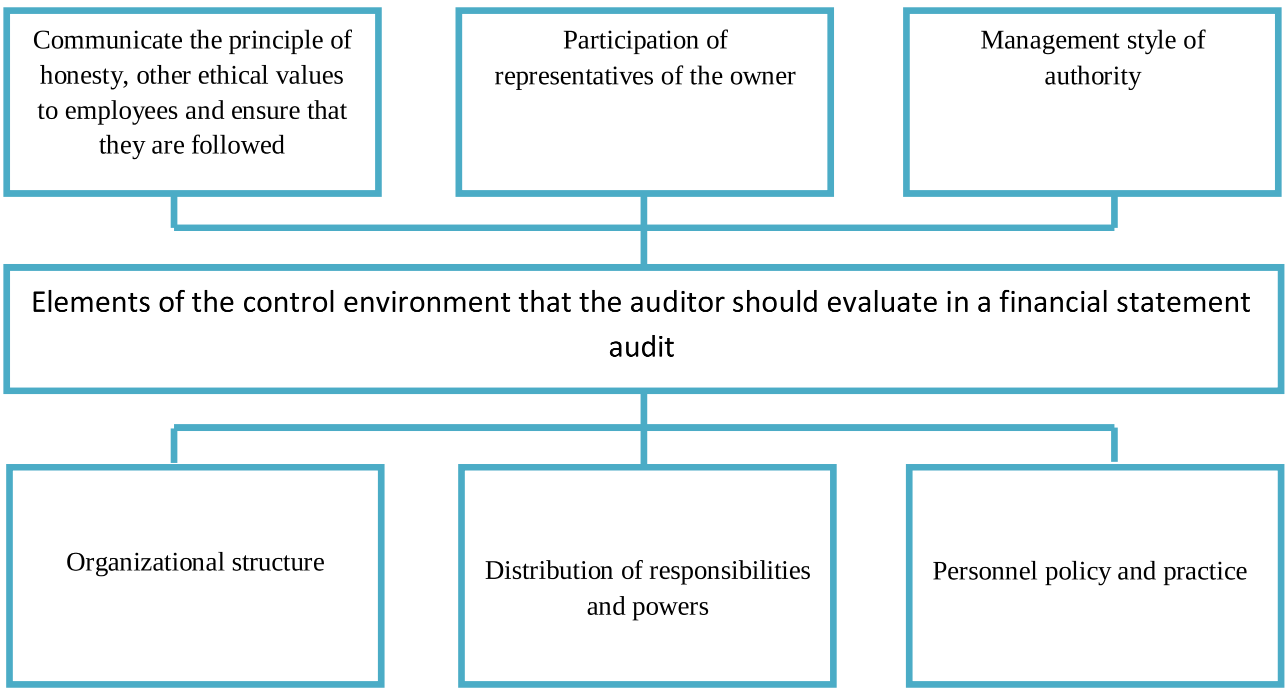

Figure 2. Elements of the control environment that the auditor should evaluate in a financial statement audit[2]

It should be noted that International Auditing Standard No. 315 instructs the auditor to gain an understanding of the control environment, with particular emphasis on the risk of fraud. According to ISA 240, "Auditor's Liability for Financial Statement Audit Fraud," fraud is an intentional act by one or more individuals to obtain unfair or unlawful gain from management, management, employees, or third parties [2] . In an accounting system, fraud is characterized by intentional acts or omissions related to the misstatement of the financial statements. In assessing the internal control system, the auditor should conduct audits to obtain the information necessary to determine the risk of serious misconduct as a result of dishonest actions. The auditor should ask the management of the audited entity the following questions:

- the situation in which the financial statements are seriously distorted by the management of the audited entity as a result of dishonest actions;

- the process carried out by the management of the audited entity to identify and respond to the risk of dishonest actions;

- the relationship between management and representatives of the audited entity in the process of identifying risks arising from dishonest actions and taking action against such risks;

- the interaction between the management and employees of the enterprise, where the audit is conducted from the point of view of management on the rules of conduct and ethical standards.

It should be noted that the existence of a satisfactory control environment is a positive factor in the auditor's assessment of the risk of serious misrepresentation of information and may affect the nature, timing and scope of subsequent actions. In particular, this may indicate a reduction in the risk of dishonest behavior. However, deficiencies in the control environment can impair the effectiveness of control tools.

The auditor should then determine the status of the use of management in the process of risk assessment by the audited entity, the second component of the internal control system. In assessing the organization and application of the risk assessment process, the auditor determines how the management of the audited entity is to be performed.

If the risk assessment process by the audited entity is appropriate in the circumstances, it will help the auditor to identify the risks of material misstatement. Figure 3 shows the elements of the risk assessment process of the audited entity that should be assessed by the external auditor.

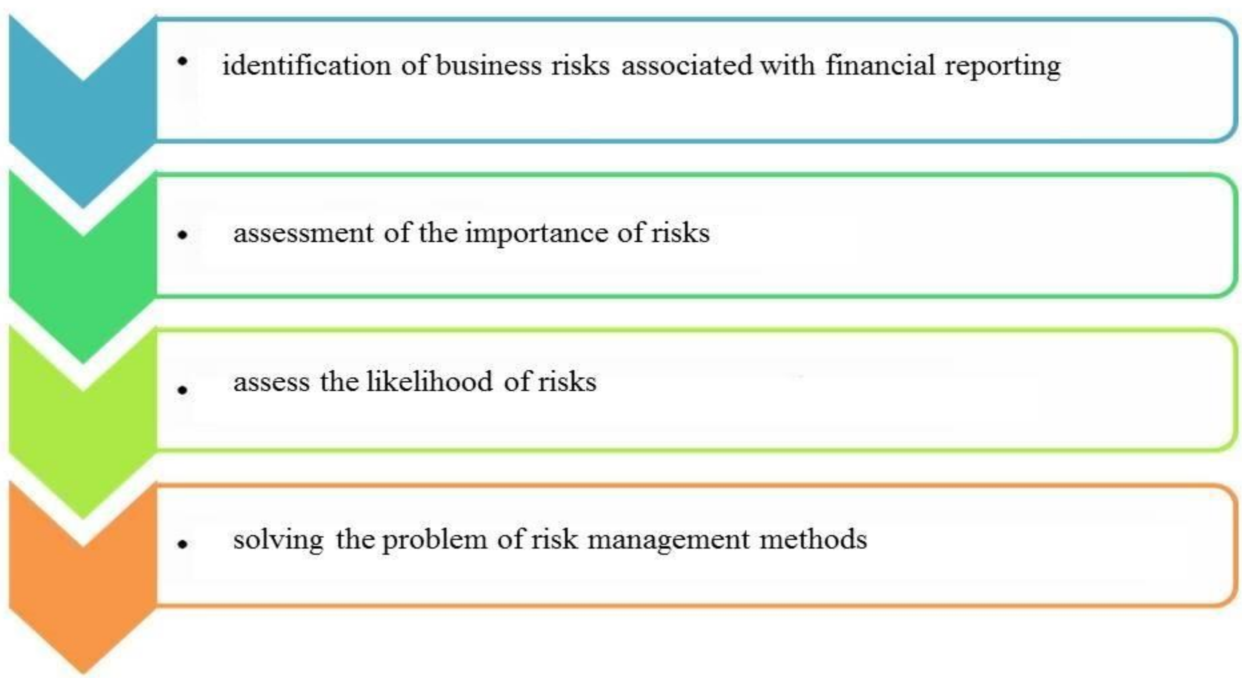

Figure 3. Elements of the process of assessing the risks of the audited entity, which must be assessed by the auditor in the audit of financial statements[3]

The external auditor sends inquiries about the risks of the business to the management of the audited entity and considers these risks in terms of the possibility of serious misrepresentation of the data. During the audit, the auditor may determine the risk of serious misstatement of information that management cannot identify. In such cases, the auditor determines whether the risk is primarily a risk that needs to be identified by the audited entity in the risk assessment process and, if so, why it did not. If the auditor concludes that there are significant deficiencies in the risk assessment process by the audited entity, the auditor will contact the property owners' representatives.

It is well known that analytical activities help to identify indicators and trends that may reflect unconventional transactions or events, as well as problems with financial statements and audits. When performing analytical activities as risk assessment activities, the auditor evaluates the expected performance indicators. If the comparison of expected results with those calculated on the basis of recorded amounts or calculated amounts leads to normal or unexpected results, the auditor takes these results into account in determining the risk of material misstatement. Monitoring and control is the basis for sending inquiries to the management and other employees of the audited entity, as well as a source of information on the risk assessment process by the audited entity. Such audits typically include:

- Observation of various areas of operations and activities of the audited entity;

- Control of internal control system regulations and accounts;

- Study of reports;

- monitoring the reflection of business transactions in information systems that generate data for financial reporting.

The elements of the information systems to be evaluated by the auditor are shown in Figure 4.

In the review process, the auditor reviews the steps used to transfer data from the transaction processing systems to the General Ledger or the financial reporting system.

Transaction processing systems and financial reporting systems are systems of manual or automated registration, processing and generalization of information on business transactions. The auditor should also examine the procedure for collecting information related to financial statements of events and happenings that are not related to the entity's business, such as the depreciation or impairment of assets or accounts receivable.

The auditor should understand the operation of the audited entity's information systems in relation to the preparation and preparation of the financial statements in order to conclude that the audited entity is compliant with the operating conditions.

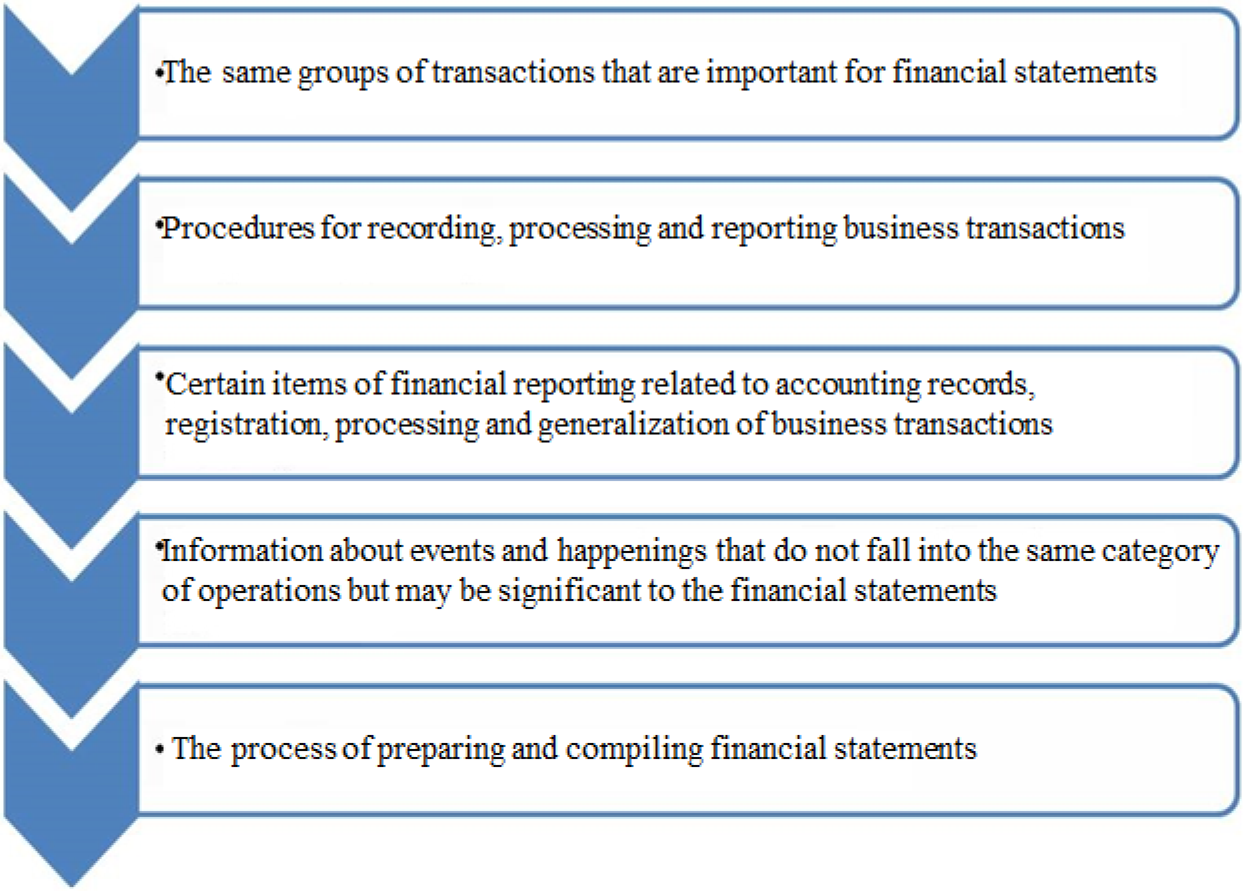

Figure 4. Elements of information systems that the auditor should evaluate in a financial statement audit[4]

Monitoring and control of the processes of registration, processing and generalization of business operations can be the basis for assessing the reliability of information systems of the audited entity. Responses to inquiries sent to personnel involved in performing or reporting complex or unusual transactions in accounting will help the auditor assess the appropriateness of selecting and applying certain accounting rules of the audit firm.

The auditor should have sufficient knowledge of the audited entity's controls to assess the risk of material misstatement at the level necessary for the preparation of the financial statements and to develop further audit procedures, taking into account the assessed risks. Control actions include actions taken by the audited entity to ensure that the control activities are performed and that the necessary measures are taken against the risks that may prevent the audited objectives from being achieved. Controlled actions of the audited entity, performed manually or using information systems, have different purposes and are applied at different organizational and functional levels.

The control procedures to be performed by the external auditor are shown in Figure 5.

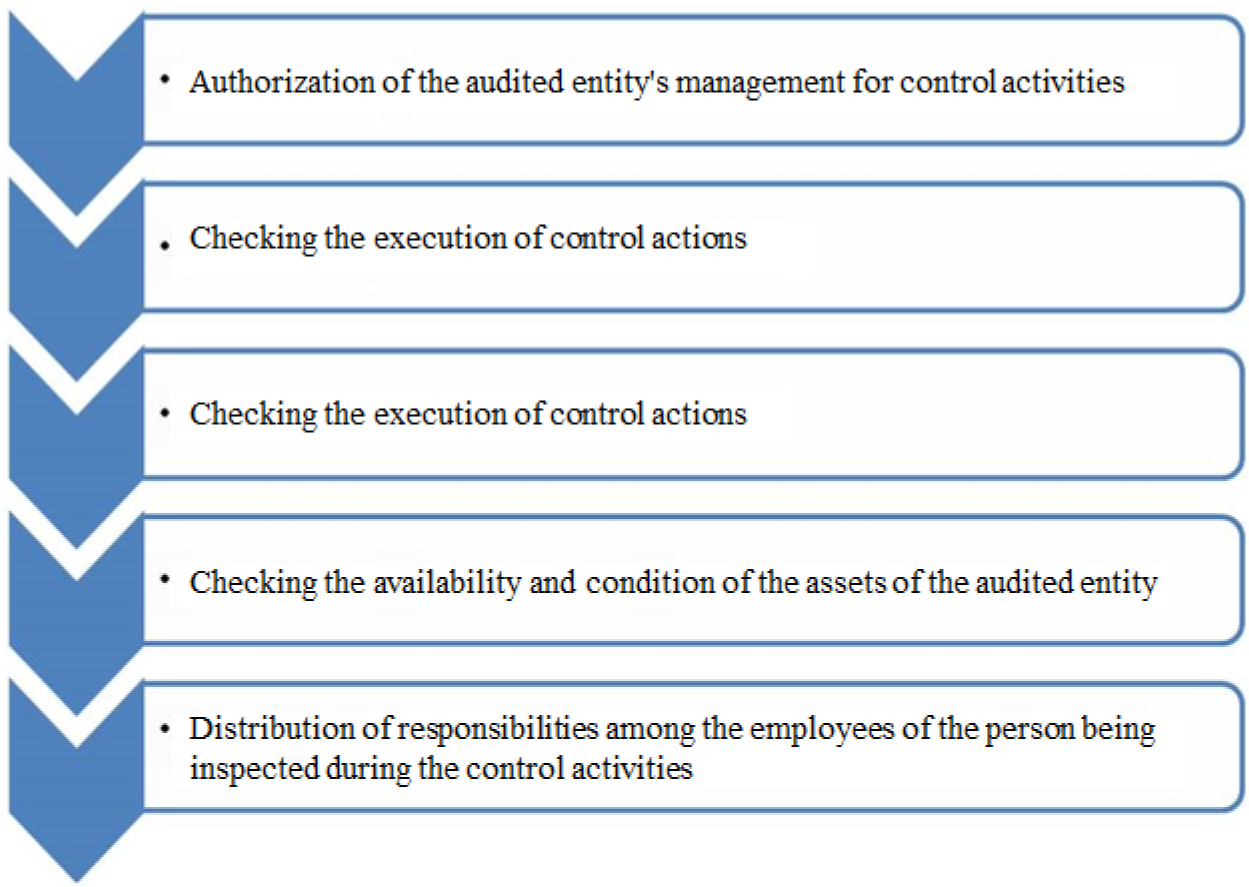

Figure 5. Control procedures that the auditor should evaluate in a financial statement audit[5]

By familiarizing themselves with the auditing activities of the audited entity, the auditor primarily avoids or identifies serious irregularities in the operations groups, balance sheets, or specific circumstances.

The auditor should identify the main activities performed by the audited entity in order to evaluate the internal control system over the financial statements. The auditor should identify what the source of information for the monitoring measures is and, on that basis, the circumstances that management believes are sufficiently reliable to achieve the relevant objectives. Monitoring activities involve internal auditors or staff performing similar functions for many audit entities.

In actions in the field of monitoring control, the management of the audited entity may use external data. If the auditor intends to use the information generated for the process of the audited entity for the purposes of the audit, in particular the reports of the internal auditor, the auditor should determine whether the information is sufficiently detailed or reliable for use during the audit.

Thus, during the study, the elements of the components of the internal control system that the auditor should examine to assess the effectiveness of the controls were identified. Special attention to these elements in audits allows to identify the risk of serious misstatements in the financial statements and to plan the audit prudently.

CONCLUSION

1. Business entities must properly organize their activities and exercise constant control over the achievement of their goals. Therefore, the issues of organization of the system of internal control in business entities are widely considered in scientific research. In our opinion, the effective implementation of the internal control system requires the widespread use of advanced scientific achievements and innovative technologies.

2. In the careful planning and consistent implementation of audits, auditors pay close attention to assessing the effectiveness of the internal control system. An objective assessment of the internal control system allows for the correct determination of materiality and risk levels and the optimal determination of the scope of audit selection.

3. The quality of the work of audit organizations depends on the correct determination of audit risk by them. Audit risk has a special place in the structure of control risk, the level of which is directly related to the state of the internal control system in business entities. As a result of the research, the application of the above recommendations for the assessment of the internal control system allows to determine the optimal level of audit risk.

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ISSUES OF USING VINTAGE ANALYSIS (VA) IN THE AUDIT OF PROBLEM LOANS IN BANKS

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ABSTRACT

The article examines the importance and significance of analytical procedures in auditing banks, methods of conducting analytical operations, the use of vintage analysis in the examination of problem loans, including overdue and non-performing loans on loans to individuals. At the same time, there is a need for in-depth scientific research on issues related to the application of audits at all stages of the audit, which meet modern requirements and include analytical procedures, widely tested in foreign practice. There is a situation that complicates the complex application of analytical procedures in the audit of assets, problem assets, credit risk, which are the object of the audit, and, accordingly, affects the quality of audit. In this study, we consider that modern theoretical developments in the field of auditing, taking into account the level of quality of audit services provided, have a role in the formation of audit conclusions using the method of Vintage Analysis (VA).

KEYWORDS: *Audit, Analytical Procedures, Banking, Credit, Problem Credit, Vintage Analysis.*

INTRODUCTION

In the Republic of Uzbekistan, since the establishment of auditing activities, the audit has attracted the attention of scientists, practitioners and users of audit results. Its development and dynamics, the role of society in economic life naturally determine the constant attention of the scientific community to the issues of theory and methodology, organization and regulation of audits, further improvement of methodology.

The adoption of the Resolution of the President of the Republic of Uzbekistan dated September 19, 2018 No PP-3946 "On measures to further develop auditing in the Republic of Uzbekistan" was another impetus for the further development of auditing and auditing. Particular attention is paid to the application of modern approaches to the organization of auditing in accordance with international standards.

The organization of the audit, taking into account international auditing standards, requires local economic disciplines to develop new theoretical developments that ensure the effective organization and effectiveness of the audit. At present, audits as a simple set of procedures do not allow to form a sufficient opinion on the reliability of financial (accounting) reports. The use of a comprehensive approach in the audit process, which involves their interdependence and justification in the performance of all work, ensures the reliability of the formation of the auditor's professional opinion.

At the same time, there is a need for in-depth scientific research on issues related to the application of audits at all stages of the audit, which meet modern requirements and include analytical procedures, widely tested in foreign practice. There is a situation that complicates the complex application of analytical procedures in the audit of assets, problem assets, credit risk, which are the object of the audit, and, accordingly, affects the quality of audit. In this study, we consider that modern theoretical developments in the field of auditing, taking into account the level of quality of audit services provided, have a role in the formation of audit conclusions using the method of Vintage Analysis (VA).

LITERATUREREVIEW

In the current context, it is important to study the characteristics of analytical procedures as one of the most effective methods of audit procedures, which are important in auditing services, optimizing labor costs, improving their quality, especially in auditing.

The specifics of the application of analytical procedures in the process of internal audit in commercial banks, including the audit of problem assets, show the lack of specific research.

The auditor is required to develop and conduct analytical procedures close to the end of the audit, which will help to form an overall conclusion that the financial statements of the organization are consistent with the auditor's understanding[1]. 520 The International Standard on Auditing, Analytical Procedures, defines the procedure for the use of analytical procedures by the auditor in the course of an audit.

Internal auditors should draw conclusions based on appropriate analysis and evaluation of the information and present the results of the audit[2]. International Standards on Internal Audit Professional Practice 2320 - The Analysis and Evaluation Standard also states that conclusions should be drawn from internal auditors based on the evaluation and analysis of data.

The auditor should take into account the results of analytical procedures, audit reports in determining the scope of the sample audit[3]. It can be seen that the size of the sample survey depends on the planned analytical procedures.

Through analytical procedures, the auditor should identify areas that are important to the audit. The complexity, scope and timing of an audit firm's analytical operations vary depending on the size and complexity of the bank's financial statements. Taking into account the methods of inspection and the individual characteristics of the organizational structure of the commercial bank, the auditor independently selects the collection of audit evidence and analytical procedures[4]. Analytical actions will depend on the nature of the object being audited and the auditor's qualifications.

When embarking on the development of the overall plan and program of the audit, the auditor should be based on the initial knowledge of the object of the audit, as well as the results of the analytical work performed[5]. The results of the analytical procedures also have an impact on the overall audit plan and program.

Analytical procedures involve the identification of important financial and economic indicators of the audited entity, unexpected and misstatement of business transactions, as well as the causes of such errors and confusion[6]. Analytical procedures involve the analysis and evaluation of information received by the auditor, as well as the study of the most important financial and economic indicators of the audited bank, to identify the results of activities that are incorrectly reflected in the accounting, the causes of such errors.

Analytical procedures are one of the methods used to substantiate the audit report and obtain audit evidence to prepare the audit report and to identify, analyze and evaluate the relationship between the financial and economic performance of the organization moliyaviy[7]. This means that the analytical process is the basis for the auditor to formulate conclusions.

Analytical procedures are an important way for an auditor to gather evidence. They consist of an analysis or accurate assessment of the existence of a relationship between financial or non-financial data. In other words, analytical actions involve the analysis of important ratios and trends to avoid inconsistencies with other relevant data or deviations from the amount estimated by the auditor[8]. Analytical procedures for the auditor The interrelationship of the data is studied by analyzing the information about the object being audited.

It was noted that the two variables interact, such as the auditors 'decisions to revise their initial plans after identifying unexpected fluctuations as a result of analytical actions: whether there is a clear incentive for management to misrepresent the financial statements and whether management's explanations of changes are independently verified[9]. In some cases, analytical actions can detect the presence of subjectivism in the preparation of financial statements.

Analytical procedures should be carried out at all stages of the audit of financial statements by different methodological methods of economic analysis, the type, composition and scope of which depend on many factors[10]. Different methods of economic analysis can be used.

One of these methods is the Vintage Analysis (VA) method, which can be used primarily to calculate the possible losses on loans to individuals in commercial banks.

To determine the stable distribution of shares in the portfolio on loans with different types of debt in a stable economic situation, vintage analysis allows to predict the composition of the loan portfolio using mathematical apparatus and assess the probability of default on the basis of statistics asosida[11]. A transition probability matrix should be used to perform the vintage analysis.

Vintage analysis in banks is now an important tool for credit risk management. Due to its functional capabilities, it allows you to constantly monitor the risks and past periods[12].

It can be seen that the use of vintage analysis in the implementation of analytical procedures in the audit of problem loans allows to draw conclusions on the assessment and management of credit risk.

ANALYSIS AND RESULTS

The collection and verification of audit evidence involves obtaining the necessary information about the object, assets, liabilities, income, expenses, legal organization of activities, etc., associated with the bank.

Data collection (according to the objectives of the audit assignment) can be done in different ways: obtaining accounting data, verification, questionnaire, survey, interview (interview), observation, use of control questionnaire, sample observation.

When applying analytical procedures in the internal audit of the Bank, the International Standard of Professional Practice of Internal Audit 2320 - International Standard on Audit and Standard 520 Analytical Procedures are used.

Standard 2320 requires internal auditors to analyze and evaluate the information obtained during the audit process before drawing conclusions. In planning the audit and developing the audit program, internal auditors can collect data on the scheme of internal control assessment, creating a risk and management matrix for the task. The internal audit program includes references to working papers, information obtained, and information about the decisions made as a result.

ISA520 consists of three main sections: the analytical procedures for verifying the existence of reality, the analytical procedures that help to form an overall conclusion, and the study of the results of the analytical procedures.

ISA520 sets out the auditor’s two objectives in carrying out analytical procedures, namely, to develop and implement analytical procedures close to the end of the audit to obtain appropriate and reliable audit evidence and to draw general conclusions about the financial statements ’compliance with the audit concept.

We can illustrate in the figure below that internal auditors carry out the process of performing analytical operations in several departments.

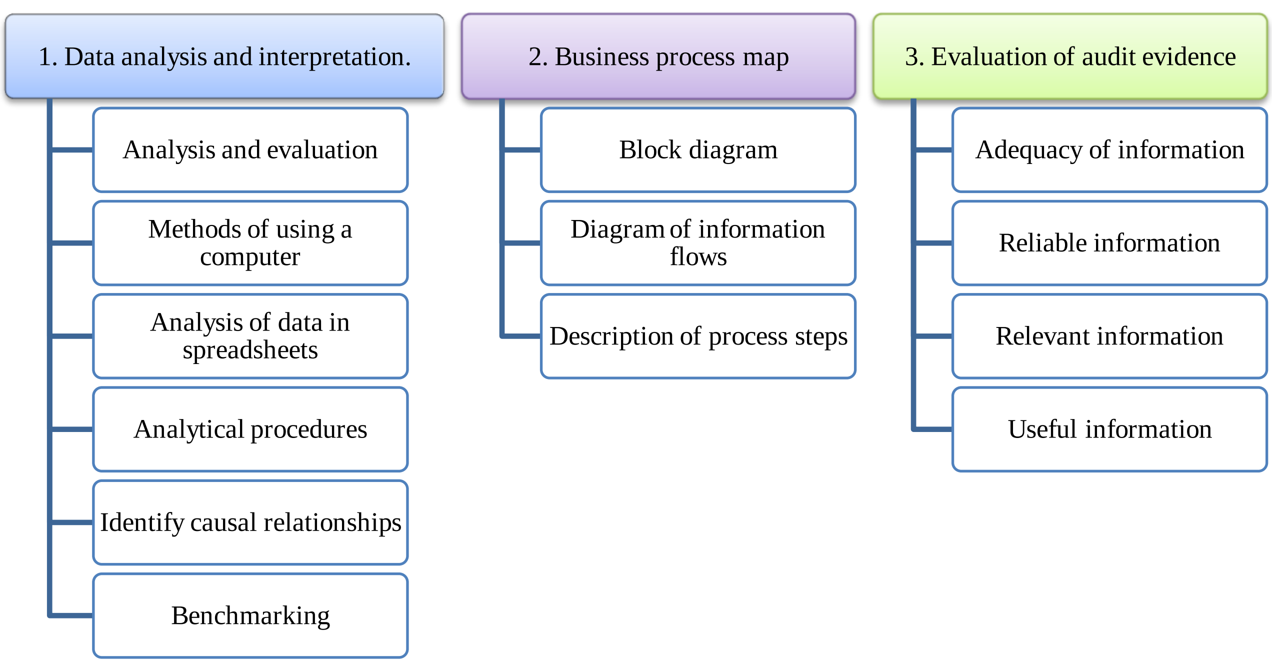

Figure 1. Internal auditors are sections of the process of performing analytical operations

1. Data analysis and interpretation. In analysis and evaluation, internal auditors should draw conclusions based on the analysis and evaluation of relevant information and present the results of the audit. The following is used:

Methods of using a computer. Computers are used at all stages of the audit, from the planning stage to doing all the necessary work and delivering the results. With the development of information technology and the increased risk of their application, internal audit conducts in-depth analysis of data (Data Mining), tests computer systems for any purpose, uses computerized audit methods.

Analysis of data in spreadsheets. Spreadsheets are more commonly used than standard computer programs. Their widespread use requires internal auditors to be aware of the operation of spreadsheets, their ability to keep them in order, and their weaknesses.

Analytical procedures. It examines the expected relationship between the two indicators, and when considering these indicators together, it is necessary to determine their appropriateness (or acceptability) of their (or their interchangeability). During the analysis, the internal auditor should determine the acceptable level of deviation from the expected performance and investigate the reasons for the deviation. Internal auditors can perform analytical operations in a variety of ways: financial performance, physical values, ratios, and interest. Analytical procedures can help identify situations that require additional data collection.

Identify causal relationships. Causal analysis or factor analysis is concerned with identifying the causes of a problem (as opposed to identifying or reporting a problem). This approach provides a long-term perspective for improving business processes.

Benchmarking is the process of identifying, understanding and adapting existing patterns of effective operation of a similar bank (branch) to improve its performance. Typically taken as a model, the best products and marketing process are used to directly identify competitors and banks operating in other similar industries to improve their products and working methods.

2. Business process map. The following methods are used:

Block diagram. A general type of diagram (graphical model) describing algorithms or processes, in which individual steps are described as blocks of different shapes connected by lines indicating the direction of the sequence. They can be used effectively to better understand and describe the bank's internal control system or to identify areas that require internal control.

Data Flow Diagrams (DFD) is a hierarchy of functional processes related to data flow. The purpose of this review is to demonstrate how each process converts its data into an output portion of the product, as well as to identify the interrelationships between these processes.

Description of process steps. When using this method, management procedures are described in the form of a report, as a statement of facts.

3. Evaluation of audit evidence. In the International Standard for Internal Audit Professional Practice 2310 Information Collection Standard, internal auditors must gather sufficient reliable, relevant and useful information to achieve their audit objectives. The information obtained by the auditor can be described as follows:

Adequacy of information is the amount of information (sufficient amount of information) that is based on a sufficient amount of evidence and ensures that a smart and informed user comes to conclusions such as an auditor. A number of factors are taken into account in the assessment: an assessment of the source of the audit evidence; efficiency of the internal control system of the bank (branch); importance of data; risk.

Reliable information is the most complete and reliable information obtained by applying appropriate audit procedures. The reliability of audit evidence can be divided into three levels:

- first ("most reliable and credible"): reviewed by the auditor in the course of the work on the basis of direct verification, approval, external documents (obtained directly from a third party);

- second: an effective system of internal control, preliminary documents obtained by analytical operations using primary data on the basis of observation;

- third ("least reliable and trustworthy"): internal documents obtained from an inefficient internal management system; interviews with the staff of the audited entity, analytical procedures using an insufficient amount of initial data.

Relevant information is information that supports the observations and recommendations and is relevant to the objectives of the agreement and belongs to the auditor.

Useful information is information that helps you achieve your goals.

For the auditor, the use of the method of vintage analysis, which represents the main part of the above information in the performance of analytical procedures, allows to form clear audit conclusions on the loan portfolio, including the audit of problem loans.

Vintage Analysis (VA) is a method of portfolio monitoring to check the credit quality of the same loans, which is done by analysis by accounts, maturity and date of their occurrence.

Vintage analysis is useful for tracking historical indicators of loan indebtedness, identifying overdue indebtedness in unforeseen circumstances (usually suspected of fraud), and forecasting future indebtedness, capital planning, and liquidity management.

Vintage analysis applies to the same loan portfolios that have similar parameters in terms of borrower type, loan purpose, loan amount, currency, collateral, guarantee, branch, and so on. Most often, vintage analysis is used in the analysis of various retail credit products (credit cards, microloans, overdraft, car loans, mortgage loans) and loans to small businesses.

The formation of inventories for probable losses by the auditor may be repeated during the credit risk analysis process or may be conducted to identify fraud monitoring for specific areas.

For internal auditors, it is possible to develop a model using Excel to perform Vintage Analysis, or you can create a custom program, or use existing ones.

The Vintage Analysis model allows the calculation of credit quality displacements for homogeneous loans that are simultaneously (at intervals) divided into sub-portfolios of loans issued for an appropriate time period. The model is designed to identify anomalies in credit portfolio quality migration (short version) and is designed to make predictive assessments of future credit portfolio credit quality deterioration (long version). This model is used by currency, divisions (branches) and individual portfolio managers for the same loan portfolio at the product level, for different periods of loan maturity.

Consider the operating mode of a vintage analysis model.

1. Divides the loan portfolio in the model into sub-portfolios according to the month of disbursement and multiplies the number of overdue payments by time for books on each sub-portfolio. In this case, the bank creates a matrix table with an average of 30 periods. In the bank we are analyzing, this period is 24. The analysis analyzes the loan portfolio of consumer, mortgage, microloan, car loan and overdraft loans to individuals.

2. After several changes, the model shows the migration of credit quality in average and relative indicators to build future portfolio quality forecast indicators.

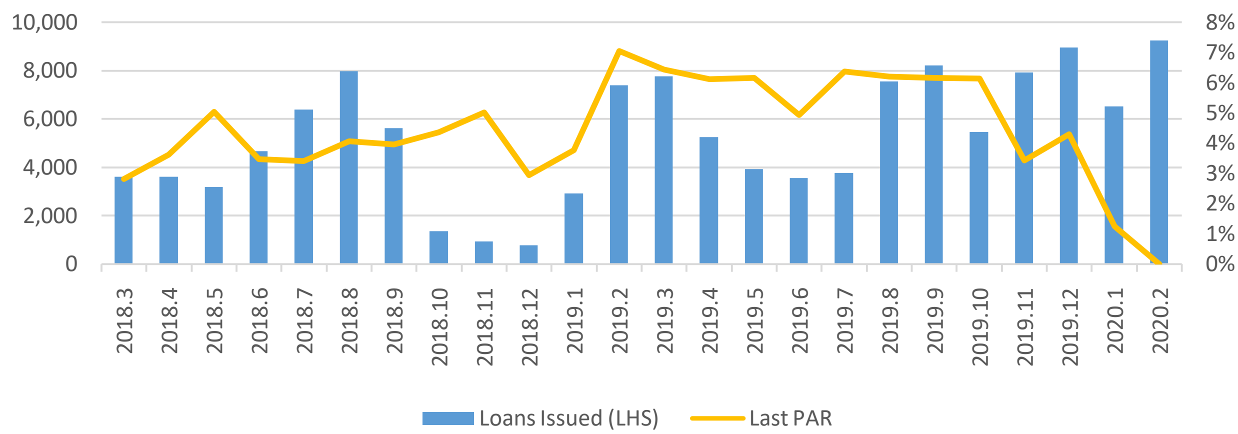

Figure 2. Loans and loan quality (by periods)

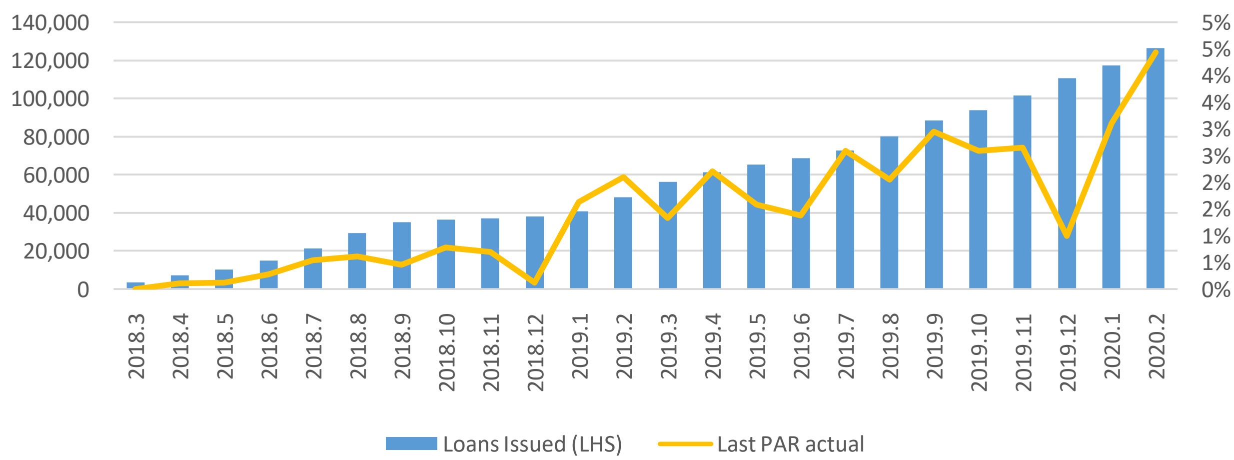

Figure 3. Loans and loan quality (total)

Looking at the data in Figures 2 and 3, the number of loans issued by the bank to individuals was not the same during the analyzed periods, but their balance in the dynamics tends to increase. The number of overdue loans was 7.5%, the highest in the month, and about 5% in the dynamics.

3. When analyzing migration, some generations may show a deviation from the mean values, which anomalies are detected from the graphical analysis.

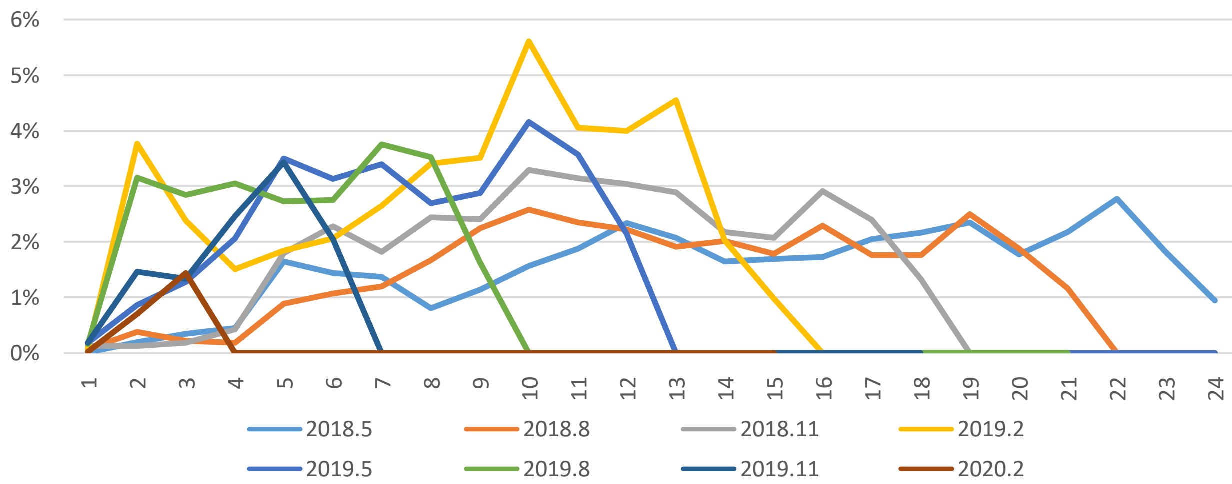

Figure 4. Credit quality migration over time

In this figure, it is possible to see in which period the overdue loans were repaid and in what period.

4. In the short term, anomalies identify weaknesses in the risk of underwriting or fraud, in the long run - the deterioration of the quality of credit monitoring.

If the vintage curves do not follow the same trend, this can be explained by the model risk that may occur due to non-homogeneous data selection.

The vintage analysis model can be extended to 0+, 30+, 60+, 90+, 180+, 365+ borrowing periods.

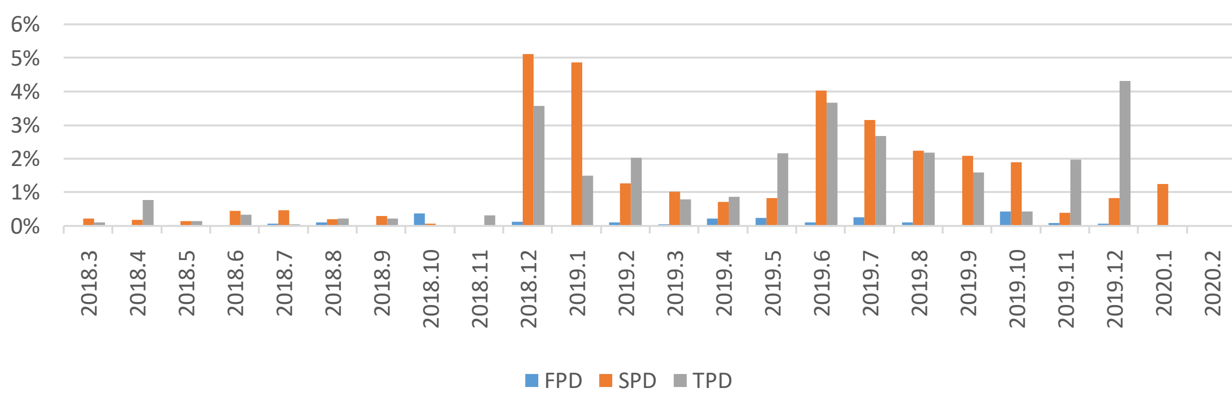

Figure 5. Detection of timeline fraud

In this case, you can see the fraud in the cases of the first payment default - FPD, the second payment default (SPD), the third payment default (TPD).

CONCLUSION

In summary, the following can be mentioned:

1. Various analytical procedures are performed during the audit, and it depends on the object of the auditor, his level of qualification, the audit program.

2. The use of vintage analysis in the analysis of loan portfolios, including the audit of problem loans, helps to make the following risk concepts and decisions:

- Performance Analysis - Vintage analysis shows historical models of overdue loans, which helps to determine the best / worst lending activities for loan products or bank branches.

- Fraud detection - Vintage curves can show offenses (sudden rise, fall) that warn of fraud (with the first three payments on short-term loan repayments).

- Credit quality forecasting - historical data is available and helps to predict violations of new payments.

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A STUDY ON CUSTOMERS' VIEWS TOWARDS BANKING SERVICES

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ABSTRACT

The banking services play an important role in the development of the country as increase in the banking services led a overall growth of the economy. Generally customers have different opinion about the banking services offered by their banks. In this study the T-test, Mean, Standard deviation and ANOVAare used to know about the impact of the demographic factors on the banking services offered to customers by the banks. The study also reveals that mostly customers are agree that bank offered them all financial inclusion schemes and employees motivate them to use the banking services.

KEYWORDS: *Banks, Customers, Financial Inclusion, Banking Services, Bank Employees.*

INTRODUCTION:

In today's era banks are playing a key role in the development of the country. Banks connect the people to the economy of the country by providing financial services. Banks are the nerve of any economy. India is becoming digital country and no doubt in last few years people start using the online banking services provided by banks, like Online fund transfer via, NEFT, RTGS, BHIM UPI app etc. Financial inclusion is emerging as a new paradigm of economic growth that plays major role in driving away the poverty from the country (Iqbal, 2017). Bank customers in India are not so much aware about the various banking services and the financial inclusion schemes of the government. The main reason of this negligence is lack of financial awareness programmes. The banks and their staff members play an important role in the promotion of financial inclusion schemes. In recent years the trends show the increase in the uses of the formal financial services in India as the government focused on PradhanMantriJhanDhanYojana. The poor people start moving towards the banking services and using the formal financial services.

REVIEW OF LITERATURE

Caroline (2006) analyzed the relationship between low income group customers and financial services provisions in Ireland. He also analyzed the nature and degree of financial inclusion in Ireland and even financial inclusion is becoming a key policy issue in many European Union member states; this research has shown that the issue was largely ignored in Ireland until recently

Jentzsch (2012) Mobile phone usage reveals much about the behavioral patterns, personal preferences, and social networks of customers. The data are even richer where the customer also uses the mobile phone for financial transactions. Such data collections by the financial and the telecommunications service providers present considerable vulnerabilities and risks in terms of abuse not only by the private sector and criminals but also by authorities.

Mukherjee &Chakraborty (2012) The authors revealed in their study conducted in the remote areas of Jharkhand that maximum people facing the problems of fulfilling KYC norms. The present KYC norms also show the hindrance in promoting financial inclusion in Jharkhand as the people living in the remote villages are lacking of the KYC documents like proof of name, Address and income. Hence, the responsibility of the banks and other financial institutions regarding financial inclusion has to be seen in the light of the existing KYC norms .

Bagli (2012) found in his study that, the financial inclusion level of the states in India has a low mean and high disparity. In this study he revealed a strong positive relationship between the human development and the financial inclusion. He also realized from the study that mass financial literacy and awareness among the marginalized sections of people completely required achieving the objectives of financial inclusion. He also conclude in the study that financial institutions will have to be society and also approachable to the poor people to achieve complete objectives of financial inclusion.

Aterido, R., Beck, T., &Iacovone, L. (2013)the authors assessed in their study the gender differences in the use of financial services by enterprises and households in Sub-Saharan Africa. The authors found in their study that in the case of individuals, the lower use of formal financial services by women can be explained by gender gaps in other dimensions related to the use of financial services, such as their lower level of income and education, and by their household and employment status. They further explain in their study that in the case of enterprises, key drivers of the gender gap are exactly these key firm characteristics, especially size: firms with female ownership participation tend to be of smaller size, and smaller firms have, on average, less access to external finance. Further, we provide some evidence of selection bias, i.e., female entrepreneurs have to overcome higher barriers in the first place, as evidenced by their higher tendency to innovate and higher legal burden in African countries compared to their male peers.

Gupta and Singh (2013) conclude in their research that to achieve financial inclusion the government should emphasize on the behavioral factors rather than considering an improvement in literacy rate as a major determinant. Models that do not consider literacy level as a prerequisite to use financial services like, Biometric ATM, Mobile Based Payment System, Smart Card, and Tele-centers can be useful to achieve the goal of financial inclusion in India. Large variations in the correlation index, indicates that there is a need to formulate state-level policies for financial inclusion that consider the socio-cultural diversity of the country.

Sharma and Kukreja (2013), define the role of financial inclusion, in strengthening the India's economy position in relation to other countries. They conclude that financial inclusion plays an important role in the economic development of the country.

Ranparia (2013) analysed in his study the improvement rate and current status of financial inclusion programme of the state. After the World War II, it was really difficult for the world economics to sustain their growth. And it was quiet difficult for India, because India was newly independent country at that time. Various measures have been taken from time to time which include building and strengthening rural cooperative sector, nationalization of banks and privatization and expansion of financial sector to remove the poverty and achieve the sustainable growth of the economy by the government.

Swamy, V. (2014)the author found in their study that financial inclusion program have strong impact in terms of the change in income of the poor particularly women. The impact leaned positively toward women and is noticed from the fact that income growth (CAGR) net of inflation effect was of the order of 8.40% as against 3.97% for men participants. Besides, one noticeable finding of this analysis is that general category women are largely impacted by the Financial Inclusion programs mostly because of their awareness levels and access to instruments of economic progress in comparison to the other SC/ST women. However, in the case of impact on living standards, women of SC/ST categories have been largely impacted (CAGR change of 4.35% as against CAGR change of 1.76 for men). Further the author explain that that women use the resources in such ways that improve the family well-being and contribute to significant increase in savings levels of the households and these significant increases are largely attributed to the decision making influence of women.

Leena Nair (2016) PradhanMantri Jan DhanYojana has boost up the confidence level of the lakhs of women as they opened their bank account and overcome the vicious cycle of poverty and unorganized debt. As per third annual survey of Gates Foundation 47 percent women have PMJDY account.

Sahoo ,Arora (2017) A cashless economy runs on credit or debit cards, electronic fund transfer, or online shopping instead of cash. There are certain steps are taken towards cash less economy like, introduction of BHIM App (Bharat Interface for Money), Rupay Card, VittiyaSakshartaAbhiyan, Aadhar Payment App, UPI. In India greater adoption of RTGS (Real time gross settlement), NEFT (National Electronic Fund Transfer) by all segment of users increased volumes almost threefold between 2013 and 2016. The cashless economy depends upon how much we are dealing with issues like online frauds, financial inclusion into formal banking sector, awareness campaigning and proper redressal system.

Pattanaik, BK (2017) The main requirement of cashless economy is financial inclusion. The World Bank data shows that upto 2014, only 52.8 percent adult population of India had accounts in the financial institutions. Out of the total only 10.7, 34 and 1.2 percentages have used debit card, credit card and internet banking system for making a payment. The digital transaction in India is very meagre and need to be drastically improved. The self-help groups can be grate help to the people in the promotion of digital banking system in the rural areas. In order to promote more and more digital payment, government needs to cut the expenses of debit card, credit card and provide the some promotional tools.

Ouma, S. A., Odongo, T. M., & Were, M. (2017) The authors found in their study that availability and usage of mobile phones to provide financial services promotes the likelihood of saving at the household level. Not only does access to mobile financial services boost the likelihood to save, but also has a significant impact on the amounts saved, perhaps due to the frequency and convenience with which such transactions can be undertaken using a mobile phone. Financial inclusion landscapes of African countries are changing rapidly thanks to the growing mobile phone financial services. The change is positive given that hitherto unbanked or under-banked segments of the population are being reached by affordable, accessible and sustainable financialservicesthrough mobile phones which are ubiquitous in the continent. Mobile Phone Money Agents are the most accessible to both men and women living in urban and rural areas. They are just walking distances away to their users.

Kumar, Vivek(2018) the early movers from both private and public sector banking space who are effectively able to leverage these changes will be in a sweet spot and enjoy tremendous strategic advantages vis-à-vis their peers as well as NBFCs. Banks will need to focus on technical innovation that will raise completion and leads to better and cheaper services for customers. The public sector banks have lagged behind their peer in the private sector over last one decade.

Objectives of the Study

- To know the customers views towards banking services.
- To know the customers’ views towards bank employees.

Statistical Tools:

In this study the Mean, Standard Deviation, T-test and ANOVA is used.

Hypothesis of the Study:

H_0: There is no significant difference in customers’ attitude towards various financial inclusion schemes on the basis of various demographical factors.

H_1:There is a significant difference in customers’ attitude towards various financial inclusion schemes on the basis of various demographical factors.

Reliability Scale

The reliability of the scale was assessed by computing the cronbach’s alpha for every construct used in the study, thus measuring the internal consistency. The sample total sample size for the current study is 115. The reliability test has been constructed on both the total sample. To call a scale as reliable, it has also been argued to have a scales’ coefficient alpha above 0.7. It has also been argued that a value of coefficient alpha above 0.6 for new scale is acceptable (Nunnally, 1978). In the current study, the value of cronbach’s alpha is 0.936. Thus the reliability test is showing a good consistency.

TABLE-1, RELIABILITY STATISTICS

Cronbach's Alpha	No. of Items
.936	15

TABLE-2, DESCRIPTIVE STATISTICS

Statements	Mean	SD
Bank employees easily update the Passbook	3.89	1.041
Bank employees help in Challan/form filling to customers specially uneducated	3.63	.985
Bank provides the services as per prescribed time period	3.46	1.070
Easily deposit/withdrawals of funds at branch	4.04	1.029
Bank awakes the customers about the financial literacy	3.63	1.054
Bank clearly defines the KYC norms	3.89	1.114
Bank employees motivate to invest in Pension Plans under APY	3.10	1.185
Bank employees motivate to Purchase insurance scheme under PMJJBY and PMSBY	3.31	1.111
Bank employees motivate to invest in the PPF/SSY	3.25	1.198
Bank employees motivate to invest in the Fixed Deposit	3.47	1.172
Bank employees motivate to invest in the Recurring Deposit	3.50	1.142
[Bank provide the Demand Draft facility	3.80	1.078
Bank provides the NEFT facility	3.92	1.163
Bank provides the RTGS facility	4.20	1.133
Bank provides the loan in short span of time	3.58	1.043

*Source: Field Survey, *Significant at 5% level (Tabulated value .05)*

Interpretation: The above table no.-2 shows that as mean value for the concerns regarding awareness level of for financial inclusion schemes is more than 3, which shows the positive view point of respondents. So, we can say that most of the respondents are aware about the financial inclusion schemes offered by banks.

TABLE-3: INDEPENDENT T-TEST FOR GENDER

Statements	Levene's Test for Equality of Variances		t-test for Equality of Means	
	F	Sig.	t	Sig. (2-tailed)
Bank employees easily update the Passbook	4.032	.047	-1.865	.065
Bank employees help in Challan/form filling to customers specially uneducated	.079	.779	-.205	.838
Bank provides the services as per prescribed time period	.047	.829	-1.516	.132
Easily deposit/withdrawals of funds at branch	.137	.712	-2.331	.022*
Bank awakes the customers about the financial literacy	.309	.580	-1.260	.210
Bank clearly defines the KYC norms	.086	.769	-1.729	.087
Bank employees motivate to invest in Pension Plans under APY	1.978	.162	-.590	.556
Bank employees motivate to Purchase insurance scheme under PMJJBY and PMSBY	1.591	.210	-.300	.765
Bank employees motivate to invest in the PPF/SSY	.010	.922	.601	.549

Bank employees motivate to invest in the Fixed Deposit	1.106	.295	1.082	.282
Bank employees motivate to invest in the Recurring Deposit	.169	.681	-.696	.488
[Bank provide the Demand Draft facility	4.069	.046	-.686	.494
Bank provides the NEFT facility	.282	.596	-1.499	.137
Bank provides the RTGS facility	.026	.873	-.989	.325
Bank provides the loan in short span of time	.107	.744	-.528	.599

*Source: Field Survey, *Significant at 5% level (Tabulated value .05)*

Interpretation: The above table-3 shows that at 5 percent significance level out of 15 items for financial inclusion schemes only one item "Easily deposit/withdrawals of funds at branch" proves to be significant as t-value is less than 0.05. So, for this item null hypothesis is rejected and alternative hypothesis has been accepted. For other items null hypothesis has been accepted, which has been tested on the basis of demographic factor gender.

TABLE-4: INDEPENDENT T-TEST FOR MARITAL STATUS

Statements	Levene's Test for Equality of Variances		t-test for Equality of Means	
	F	Sig.	t	Sig. (2-tailed)
Bank employees easily update the Passbook	.437	.510	-.955	.341
Bank employees help in Challan/form filling to customers specially uneducated	.052	.819	-.274	.785
Bank provides the services as per prescribed time period	.146	.703	-.033	.974
Easily deposit/withdrawals of funds at branch	3.493	.064	.803	.427
Bank awakes the customers about the financial literacy	9.154	.003	1.888	.063
Bank clearly defines the KYC norms	3.984	.048	1.631	.107
Bank employees motivate to invest in Pension Plans under APY	.071	.791	1.806	.074
Bank employees motivate to Purchase insurance scheme under PMJJBY and PMSBY	.031	.860	1.098	.275
Bank employees motivate to invest in the PPF/SSY	.179	.673	1.586	.117
Bank employees motivate to invest in the Fixed Deposit	.613	.435	.205	.838
Bank employees motivate to invest in the Recurring Deposit	3.207	.076	2.027	.046*
Bank provide the Demand Draft facility	3.344	.070	1.532	.129
Bank provides the NEFT facility	.007	.933	.418	.676
Bank provides the RTGS facility	1.338	.250	.523	.602
Bank provides the loan in short span of time	.637	.427	.645	.520

*Source: Field Survey, *Significant at 5% level (Tabulated value .05)*

Interpretation: The above table shows that at 5 percent significance level out of 15 items for financial inclusion schemes only one item "Bank employees motivate to invest in the Recurring Deposit" proves to be significant as t-value is less than 0.05. So, for this item null hypothesis is rejected and alternative hypothesis has been accepted. For other items null hypothesis has been accepted, which has been tested on the basis of demographic factor marital status.

TABLE-5: ANOVA BASED ON AGE GROUP

Statements	18-30	31-40	41-60	60 above	F	Sig.
Bank employees easily update the Passbook	3.62	3.98	3.93	4.00	.854	.467
Bank employees help in Challan/form filling to customers specially uneducated	3.48	3.60	3.93	3.79	.824	.484
Bank provides the services as per prescribed time period	3.34	3.39	3.73	3.71	.788	.503
Easily deposit/withdrawals of funds at branch	3.86	4.14	3.93	4.14	.563	.641
Bank awakes the customers about the financial literacy	3.24	3.75	3.67	3.93	2.010	.117
Bank clearly defines the KYC norms	3.55	4.04	3.73	4.14	1.576	.199
Bank employees motivate to invest in Pension Plans under APY	2.72	3.19	3.40	3.14	1.433	.237
Bank employees motivate to Purchase insurance scheme under PMJJBY and PMSBY	3.14	3.37	3.53	3.21	.514	.673
Bank employees motivate to invest in the PPF/SSY	2.86	3.40	3.47	3.21	1.513	.215
Bank employees motivate to invest in the Fixed Deposit	3.55	3.35	3.60	3.64	.400	.753
Bank employees motivate to invest in the Recurring Deposit	3.31	3.56	3.47	3.71	.483	.695
Bank provide the Demand Draft facility	3.48	3.84	3.87	4.21	1.600	.193
Bank provides the NEFT facility	3.69	3.93	3.93	4.36	1.041	.377
Bank provides the RTGS facility	4.03	4.26	4.13	4.36	.366	.778
Bank provides the loan in short span of time	3.38	3.61	3.67	3.79	.588	.624

*Source: Field Survey, *Significant at 5% level (Tabulated value .05)*

Interpretation: The above table-5 shows that at 5 percent significance level all 15 items regarding financial inclusion are not found to be significant. As value of significance level is more than 0.05. So, null hypothesis has been accepted, which has been tested on the basis of demographic factor age. So there is no significance difference between the customers' view towards the banking services based on the age group. It means that banks provide the similar services to the all age group customers.

TABLE-6: ANOVA BASED ON OCCUPATION

Statements	Farmers	Business	Govt. Services	Private Service	Others	F	Sig.
Bank employees easily update the Passbook	3.96	3.80	4.17	3.89	3.81	.203	.936
Bank employees help in Challan/form filling to customers specially uneducated	3.88	3.60	3.50	3.61	3.50	.597	.666
Bank provides the services as per prescribed time period	3.65	3.07	3.00	3.58	3.44	1.125	.349
Easily deposit/withdrawals of funds at branch	4.19	3.80	3.50	4.17	4.00	.904	.464
Bank awakes the customers about the financial literacy	3.73	3.60	3.33	3.83	3.41	.872	.483
Bank clearly defines the KYC norms	4.00	3.60	3.50	4.11	3.75	.981	.421

Bank employees motivate to invest in Pension Plans under APY	3.31	2.73	3.00	3.36	2.81	1.504	.206
Bank employees motivate to Purchase insurance scheme under PMJJBY and PMSBY	3.42	3.00	3.33	3.50	3.16	.770	.547
Bank employees motivate to invest in the PPF/SSY	3.31	3.13	3.50	3.39	3.06	.424	.791
Bank employees motivate to invest in the Fixed Deposit	3.65	3.33	3.17	3.50	3.41	.333	.855
Bank employees motivate to invest in the Recurring Deposit	3.62	3.13	2.83	3.83	3.34	1.941	.109
Bank provide the Demand Draft facility	3.88	3.67	3.67	4.08	3.50	1.381	.245
Bank provides the NEFT facility	4.12	3.73	3.83	4.08	3.69	.779	.541
Bank provides the RTGS facility	4.23	4.13	4.00	4.33	4.09	.253	.908
Bank provides the loan in short span of time	3.65	3.40	3.50	3.78	3.41	.691	.600

*Source: Field Survey, *Significant at 5% level (Tabulated value .05)*

Interpretation: The table-6 shows that at 5 percent significance level all 15 items regarding financial inclusion are not found to be significant. As value of significance level is more than 0.05. So, null hypothesis has been accepted, which has been tested on the basis of demographic factor occupation. So we can say that there is no difference in the banking services on the basis of the occupation of the customers.

TABLE-7: ANOVA (ANNUAL INCOME OF THE RESPONDENTS)

Statements	Up to 27000	27000-250000	250000-500000	Above 500000	**F**	**Sig.**
Bank employees easily update the Passbook	4.50	4.00	3.68	3.67	3.019	.033*
Bank employees help in Challan/form filling to customers specially uneducated	3.75	3.88	3.32	3.81	2.632	.054*
Bank provides the services as per prescribed time period	3.50	4.06	3.32	2.76	8.052	.000*
Easily deposit/withdrawals of funds at branch	4.00	4.35	3.91	3.86	1.535	.210
Bank awakes the customers about the financial literacy	3.25	3.65	3.73	3.71	.862	.463
Bank clearly defines the KYC norms	3.75	4.00	3.80	4.00	.362	.781
Bank employees motivate to invest in Pension Plans under APY	3.25	2.82	3.16	3.29	.909	.439
Bank employees motivate to Purchase insurance scheme under PMJJBY and PMSBY	3.00	3.41	3.34	3.33	.518	.671
Bank employees motivate to invest in the PPF/SSY	2.75	2.82	3.32	4.19	7.954	.000*
Bank employees motivate to invest in the Fixed Deposit	3.12	3.12	3.57	4.10	3.849	.012*

Bank employees motivate to invest in the Recurring Deposit	2.50	4.00	3.43	3.62	7.475	.000 *
Bank provide the Demand Draft facility	3.00	4.06	3.84	3.90	3.967	.010 *
Bank provides the NEFT facility	3.50	4.18	3.75	4.19	1.988	.120
Bank provides the RTGS facility	3.25	4.24	4.20	4.86	7.093	.000 *
Bank provides the loan in short span of time	2.75	4.24	3.32	3.71	11.307	.000 *

*Source: Field Survey, *Significant at 5% level (Tabulated value .05)*

Interpretation: It has been clearly stated from the table-7that income level has significant impact on financial inclusion as out of 15 items 9 items has its significant value less than 0.05. It has been cleared from the descriptive mean analysis which suggested that respondents having their income in category of up to 27,000 has given more importance to the concerns that 'Bank employees easily update the Passbook' as corresponding value is 4.50 which is higher than other categories of income. While respondents having their income in category of 27000- 2.5Lakh gave more importance to the concern for the items 2, 3, 11, 12 and 15. Also respondents having their income in the category of above 5Lakh gave more concern to the items 9,10 and 14.The bank employees motivate the high income group people to invest more in fixed deposit schemes and other long terms schemes as higher income group people can invest more.

TABLE-8: ANOVA (AREA OF RESIDENCE)

Statements	Rural	Semi-Urban	Urban	**F**	**Sig.**
Bank employees easily update the Passbook	3.69	4.50	3.75	5.733	.004
Bank employees help in Challan/form filling to customers specially uneducated	3.85	3.67	3.46	1.736	.181
Bank provides the services as per prescribed time period	3.49	3.83	3.27	2.353	.100
Easily deposit/withdrawals of funds at branch	3.97	4.42	3.92	2.059	.132
Bank awakes the customers about the financial literacy	3.33	4.25	3.58	6.296	.003
Bank clearly defines the KYC norms	3.97	4.42	3.58	5.202	.007
Bank employees motivate to invest in Pension Plans under APY	3.13	3.58	2.85	3.334	.039
Bank employees motivate to Purchase insurance scheme under PMJJBY and PMSBY	3.13	3.58	3.33	1.260	.288
Bank employees motivate to invest in the PPF/SSY	3.44	3.50	3.00	2.167	.119
Bank employees motivate to invest in the Fixed Deposit	3.74	3.25	3.37	1.713	.185
Bank employees motivate to invest in the Recurring Deposit	3.38	3.83	3.44	1.293	.279
Bank provide the Demand Draft facility	3.97	3.92	3.62	1.425	.245
Bank provides the NEFT facility	3.92	4.67	3.58	8.102	.001
Bank provides the RTGS facility	4.08	4.83	4.00	5.135	.007
Bank provides the loan in short span of time	3.33	4.25	3.46	7.058	.001

*Source: Field Survey, *Significant at 5% level (Tabulated value .05)*

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Interpretation: It has been clearly stated from the above, table-8 that income level has significant impact on financial inclusion as out of 15 items 7 items has its significant value less than 0.05. It has been cleared from the descriptive mean analysis which suggested that bank employees differentiate in providing the banking services location wise of the bank branch.

TABLE-9: ANOVA (EDUCATION LEVEL)

Statements	UG	Graduate	PG	Professional	**F**	**Sig.**
Bank employees easily update the Passbook	4.43	4.09	3.78	2.92	6.217	.001
Bank employees help in Challan/form filling to customers specially uneducated	4.29	3.77	3.49	2.92	5.322	.002
Bank provides the services as per prescribed time period	4.14	3.55	3.38	2.67	4.696	.004
Easily deposit/withdrawals of funds at branch	5.00	4.36	3.71	3.00	15.314	.000
Bank awakes the customers about the financial literacy	4.43	3.82	3.40	2.92	6.518	.000
Bank clearly defines the KYC norms	5.00	4.05	3.62	3.00	10.396	.000
Bank employees motivate to invest in Pension Plans under APY	4.14	3.00	3.00	2.58	5.082	.002
Bank employees motivate to Purchase insurance scheme under PMJJBY and PMSBY	4.14	3.36	3.16	2.75	4.307	.006
Bank employees motivate to invest in the PPF/SSY	4.00	3.14	3.27	2.75	2.784	.044
Bank employees motivate to invest in the Fixed Deposit	3.86	3.27	3.60	3.25	1.258	.292
Bank employees motivate to invest in the Recurring Deposit	4.43	3.64	3.24	2.92	5.718	.001
Bank provide the Demand Draft facility	5.00	3.73	3.58	3.50	8.065	.000
Bank provides the NEFT facility	5.00	3.86	3.89	3.00	7.732	.000
Bank provides the RTGS facility	4.71	4.45	4.02	3.33	4.857	.003
Bank provides the loan in short span of time	4.43	3.77	3.27	3.08	6.736	.000

*Source: Field Survey, *Significant at 5% level (Tabulated value .05)*

Interpretation: It has been clearly stated from the above table-9 that income level has significant impact on financial inclusion as out of 15 items 14 items has its significant value less than 0.05. It has been cleared from the descriptive mean analysis which suggested that bank employees differentiate in providing the banking services according to the qualification of the customers or we can say that the banking services provided to customers vary accordingly the education level/knowledge of the customers.

CONCLUSION:

The study is conducted regarding the bank customers views towards the banking services and facilities. The most of the customers are aware about the banking services. The banking services are mainly provided without any discrimination on the demographical factors like gender, marital status, age group and occupation. But as per study bank employees differentiate in the banking services on the basis of education level of the customers and bank location. This study concludes that mostly respondents are aware about the financial inclusion schemes offered by banks and agree that bank employees provide the services in effective way and there is no significant difference in customers' attitude towards various financial inclusion schemes on the basis of various demographical factors.

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THE NEED FOR ISLAMIC BANKING SERVICES IN COMMERCIAL BANKS OF UZBEKISTAN AND ITS POSITIVE IMPACT ON ECONOMIC GROWTH

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ABSTRACT

This article presents the development of Islamic banking services, development trends in the World Bank financial system and the factors influencing the growth of the country's economy. Today, two-thirds of Islamic finance is concentrated in Islamic banks. The urgency of establishing Islamic banking services in commercial banks is highlighted. There are practical suggestions and recommendations for the development of this area.

KEYWORDS: *Islamic Economy, Islamic Banking, Commercial Bank, Islamic Window, Interest (Ribo), Zakat (Property Tax)*

INTRODUCTION

The Islamic banking system remains one of the fastest growing industries in the world today and includes innovative financing mechanisms. The issue of implementing the Islamic banking system is one of the issues that have been awaited by our entrepreneurs for many years. In recent years, the total assets of Islamic financial institutions have reached $ 2.5 trillion, growing at a rate of 15 to 20 percent per year. [2] Therefore, it is important to attract funds from existing banks, investment funds and companies based on Islamic finance in developed countries to support the socio-economic development of Uzbekistan and the private sector.

Islamic banks are a bank or a system of banking activities that implements banking services in practice in accordance with the principles of Sharia (Islamic rules). Principles that value moral values in all dealings have a special appeal. The Shari'a prohibits the giving or receiving of money, as well as the payment or acceptance of interest payments for trade and other activities that provide goods or services that are considered to be contrary to its principles. Although in the past these principles were used as the basis of a prosperous economy, in the late twentieth century, a number of Islamic banks were formed to provide an alternative basis for Muslims, which in turn provided

Islamic banking services not only to Muslims but also to the nation's religious affiliation. The smell was all you could use.

LITERATURE REVIEW

The term "Islamic economics" was first used in the 1947 book "Islamic Economics" by the Indian Muslim scholar Sayyid Manazir Gilani in Urdu. According to Saudi economist Muhammad Omar Chapra, Islamic economics is a network of knowledge that helps to achieve human well-being through the distribution of unique resources in accordance with Islamic teachings, ensuring the inviolability of individual freedoms and macroeconomic and environmental incompatibility. that is, waste is not allowed. [1]

The authors of many well-known works on Islamic banking services and its specific aspects are the eminent jurists Yusuf Qarzawi and Taqi Osmani. [2] In 2013, German scholar Alexander Walters wrote a monograph on Islamic finance strategies, institutions, and first experiments in Central Asia. The paper argues that Uzbekistan, located in the heart of Central Asia, is a closed country and that Islamic finance has not yet developed, and that it could be a source of opportunities and a center for Islamic finance in Kazakhstan. [8] Baidaulet Yerlan, one of the leading scholars in Central Asia, wrote his book, Fundamentals of Islamic Finance, in 2014. The play illustrates the development of Islamic services in Central Asia on the example of Kazakhstan.

Islamic banking services in commercial banks operate according to certain rules. This set of laws is defined by the Shari'a and consists of the following four sources. The first is the Holy Qur'an, which is the original and unchanging source of religious knowledge. The Qur’an contains the revelations of Allah conveyed to the Prophet Muhammad through Gabriel and is a divine instruction addressed to all mankind.

The second source of these laws is the hadiths. They consist of the sunnahs, sayings, instructions, and repetitions of our Prophet Muhammad (peace and blessings of Allaah be upon him). Of course, the hadiths are very important in understanding the first source, the Qur'an.

The third source that forms the Shari'ah law is called Ijma. Ijma are solutions developed for a matter or situation by well-known Islamic scholars who are known and recognized by the Muslims of the community. In Islamic law, scholars who have knowledge at the level of independent judgment from the Qur'an and the Sunnah are called Mujtahids.

The fourth source is called analogy. The term refers to a "measurement" or comparison of two similar phenomena. Qiyas is a fatwa (solution) issued by mujtahid scholars on the basis of the Qur'an and hadiths on complex, controversial new issues. For example, a new issue has arisen in the lives of Muslims. This issue is not mentioned in the Qur'an or the Sunnah, but there is another similar issue. Scholars judge by comparing the issue with the new issue. [7]

ANALYSIS AND RESULTS

In the four years since the onset of the financial crisis, Islamic banking assets have averaged 17% per year, which is 2-3 times faster than traditional banks. [10] Islamic banking services are radically different from traditional banking. In particular, Islamic law strictly prohibits the collection and accumulation of interest on loans. The income of Muslims should come in an honest and right way. Also, spending money, whether for one's own needs or for the needs of society, must be done in accordance with the Shari'ah. All property belongs to God and is created to be shared between society. Muslims who have reached the nisab should help the poor and needy. This is done through the zakat system, which is one of the pillars of Islam. The emergence of Islamic services dates back to the time of the Prophet Muhammad (peace be upon him). Its further formation as a modern banking is shown in the table below

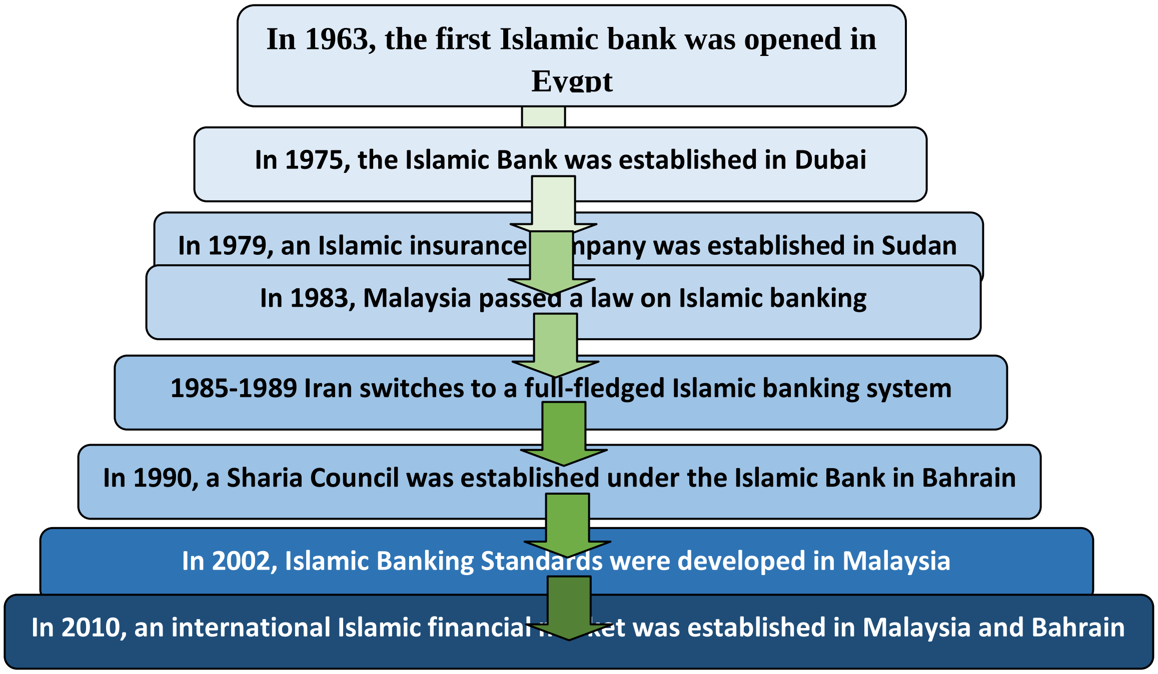

Table 1. Stages of development of the Islamic banking and financial system
Source: its compiled independently by the author based on Citybank report,2018

Islamic scholars have developed alternative Islamic banking services from traditional banking services by financing Sharia-compliant contracts. Due to the high demand for Sharia-compliant banking services, many Islamic banks have been established in many regions of the Middle East and Asia, including Malaysia (1963), Bangladesh (1983) and Indonesia (1991). The Islamic Development Bank (ISDB) was established in 1975 as a regional development institution with the aim of promoting the economic development of Muslim countries and financing them in accordance with Sharia law. [1]

Islamic banking principles provide a balance between extreme capitalism and communism. It offers man the freedom to create and give wealth, while at the same time regulating society with divine guidance that establishes moral rules and norms of conduct that require sincerity of intention rather than man-made rules. When these rules and norms are followed by the people, there will be peace and prosperity for the wider society, and the resources will be distributed fairly among the members of the society.

The theoretical basis of the need for Islamic banking services and their importance in economic growth can be seen in the following criteria:

1. By giving a particular person the right to amass wealth and increase economic well-being, Islamic economics sets the boundaries of halal (permitted) and haram (forbidden or illegal) ways in carrying out such economic activity. Islam broadly prohibits all activities that are economically or socially harmful. Examples include gambling or drug cultivation, drug dealing, and so on.

2. Recognizing the right of a person to own legally acquired property, Islam commands a person to spend his property wisely and to save it, not to waste it, and forbids it to be wasted.

3. While allowing one to keep excess wealth, Islam distributes a portion of the excess income for the benefit of society through the zakat system, to the poor, the needy.

4. Regulates the accumulation and use of natural resources. This system does not allow the wealth of the whole society to be concentrated in the hands of a few people and to be managed only by them. Inheritance and its distribution are also regulated on the basis of established criteria.

5. In general, the economic system envisaged by Islam aims at social justice, which prevents an individual enterprise or entrepreneur from harming not only the community but also the individual himself.

The Islamic banking system contributes to the development of the economy in the following three main directions [15]: the real economy directly conducts monetary operations, that is, it can sell property after gaining ownership. It does not fund businesses that produce products that are harmful to society, such as alcohol, tobacco, casinos, and pornography. At the same time, it provides for the expansion of effective projects, the exchange and sale of real goods and services. The benefits and harms can be seen together. Islamic finance offers a number of specific Islamic banking services that apply the theories outlined above and can be used for economic development.

CONCLUSIONS AND RECOMMENDATIONS

The Islamic Bank has successfully passed the world experience and is developing rapidly. It is expanding not only in countries with a large Muslim population, but also in other countries with a Muslim minority, such as the United Kingdom or Japan. Similarly, countries such as India, the Kyrgyz Republic and Syria have been licensed to conduct Islamic banking and are working hard to develop the sector. The Covid 19 pandemic has had a significant negative impact on the world economy, including a downturn in our economy. In this situation, the banking and financial sector, which is the backbone of the economy, needs to take the necessary measures to revive the economy

First, it is necessary to amend the current legislation, such as the Law on Banks and Banking, the Law on the Central Bank, the Tax Code, the Civil Code and a number of other by-laws. Based on the experience of Central Asian countries, it is necessary to develop a separate law on the establishment and development of a separate Islamic banking and financial system.

Second, it is necessary to establish Islamic banking services through the establishment of Islamic windows in commercial banks. In this case, it would be expedient to use foreign experience to apply the experience of Malaysia in the implementation of Islamic banking services in Uzbekistan.

Third, it is necessary to establish and develop international cooperation with foreign Islamic banks in the organization of Islamic banking services. Islamic Development Bank,

Dubai Islamic Bank, Maybank Islamic Berhad, ITFC (International Islamic Trade Corporation), Kuwait Finance House are well-known Islamic financing organizations.

Fourth, higher education institutions, including the Tashkent Financial Institute and the Tashkent State University of Economics, should allocate quotas for bachelor's and master's degrees in Islamic banking and finance. The establishment of joint faculties with prestigious international universities is an important step in the training of specialists in this field. At the same time, universities in the United Kingdom, Malaysia and Arab countries are leaders in the field of Islamic banking and finance.

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STATISTICAL ANALYSIS OF THE STATUS AND DEVELOPMENT OF SMALL ENTREPRENEURSHIP IN UZBEKISTAN

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ABSTRACT

This article provides a statistical analysis of the current state of small business in the country, its share in GDP, development indicators in some sectors of the economy, as well as the study of foreign experience in small business development and provides relevant conclusions and recommendations. As a means of creating new markets in Canada, Mexico, Japan and Singapore; In Poland, the Czech Republic, Hungary, Slovakia and China, small business and private entrepreneurship will be developed as a factor in accelerating economic reforms. In Uzbekistan, along with socio-economic development, small business and private entrepreneurship are being developed in order to increase employment and improve living standards by creating additional jobs. Therefore, from the first years of independence in our country, the development of small business and private entrepreneurship has been identified as an important direction in ensuring socio-economic development, as well as employment and increasing the competitiveness of the economy.

KEYWORDS: *GDP, GRP, small business, entrepreneurship, employment, innovation, statistical analysis.*

INTRODUCTION

In many developed countries, small businesses are an integral part of the economy, performing important socio-economic functions to provide employment, create a competitive environment, support innovation, and alleviate social inequality. Small business has traditionally been entrusted with a great deal of confidence in boosting economic growth and improving the well-being of the population.

It is known that in the current globalization of the world economy, small business and private entrepreneurship are of paramount importance and are rapidly adapting to the requirements of a market economy. Therefore, small business plays an important role in providing employment and improving the quality of life in our country, as well as in sustainable GDP growth. As President Mirziyoev said, "The richer the people, the richer the state". Therefore, considering that this sector will be an important factor in achieving this goal, we need to pay more attention to the development of small businesses.

The development of small business and private entrepreneurship is an important support in the economic policy of the world, as a key area for increasing employment; as a source of developing the innovative ability of the economy; as an innovator of production activities, seeker and implementer of innovations; as a supplement to the state budget (through various taxes); as a factor in preventing a decline in production activity. Small business and private entrepreneurship are one of the main factors that will further improve the socio-economic situation of the country in the future, increase the competitiveness of the economy. For example, if developed in India, Albania and Brazil as a means of reducing unemployment and combating poverty; Ensuring socio-economic and political stability in countries such as France, the United Kingdom, Germany, Belgium and Spain, as well as shaping the middle class; In Israel and the United States as a means of preventing a slight slowdown or reversal of the economy (recession liquidation); As a means of creating new markets in Canada, Mexico, Japan and Singapore; In Poland, the Czech Republic, Hungary, Slovakia and China, small business and private entrepreneurship will be developed as a factor in accelerating economic reforms. In Uzbekistan, along with socio-economic development, small business and private entrepreneurship are being developed in order to increase employment and improve living standards by creating additional jobs. Therefore, from the first years of independence in our country, the development of small business and private entrepreneurship has been identified as an important direction in ensuring socio-economic development, as well as employment and increasing the competitiveness of the economy.

In order to create conditions for the business environment in the country, to provide benefits, a number of regulations aimed at the development of small business and private entrepreneurship have been adopted. In particular, № PD-2746 of the President of the Republic of Uzbekistan dated January 31, 2017 "On measures to further expand and simplify the system of micro-crediting of small and private enterprises"; № PD-2750 of February 1, 2017 "On additional measures to improve the mechanisms of providing public services to businesses"; № PD-2796 of February 23, 2017 "On measures to further encourage entrepreneurs to use production space"; № PD-2844 of March 17, 2017 "On measures to further simplify the system of microcredits for business entities and the general population"; the Resolution № PD-3182 of August 8, 2017 "On priority measures to ensure the rapid socio-economic development of the regions" and the Resolution of October 5, 2016 "On ensuring the rapid development of entrepreneurship, comprehensive protection of private property and improving the business environment" Decree № PO-4848 "On additional measures to improve the quality of life" and other normative legal acts serve to implement the tasks set in the development of small business and private entrepreneurship to ensure the growth of GDP and GRP.

RESULTS AND DISCUSSION

It is known that in the developed countries of the world, small business and private entrepreneurship play a leading and decisive role in GDP. At present, the country is consistently working to support and develop this sector on the basis of systemic programs. This, in turn, will strengthen the economic power of our country and increase GDP.

In the Petition to the OliyMajlis on January 24, 2020, the President emphasized that “we must fully support the entrepreneurs who create new jobs, if necessary, carry them on our shoulders”.

In this regard, systematic measures are being taken to ensure and comprehensively support the innovative development of small business and private entrepreneurship at the regional level, as well as to create a favorable business environment to increase its share in GDP and GRP. However, the development of small business and private entrepreneurship in all regions of the country is not stable.

Therefore, further improvement and efficiency of organizational and economic mechanisms of small business and private entrepreneurship development in the regions, strengthening their role in foreign economic activity, full use of opportunities to increase income through employment, development of small business and private entrepreneurship in the regions at different levels It is important to develop innovative development strategies of the regions, assessing the factors and trends in modern statistical methods.

It should be noted that the bulk of GDP created as a result of economic reforms in the country falls on small business and private entrepreneurship.

The analysis shows that small business and private entrepreneurship have the largest share in the country's GDP, growing by 52.5 and 56.5 percent in 2010 and 2019, respectively, and by 4.0 percentage points in comparable years (Figure 1).

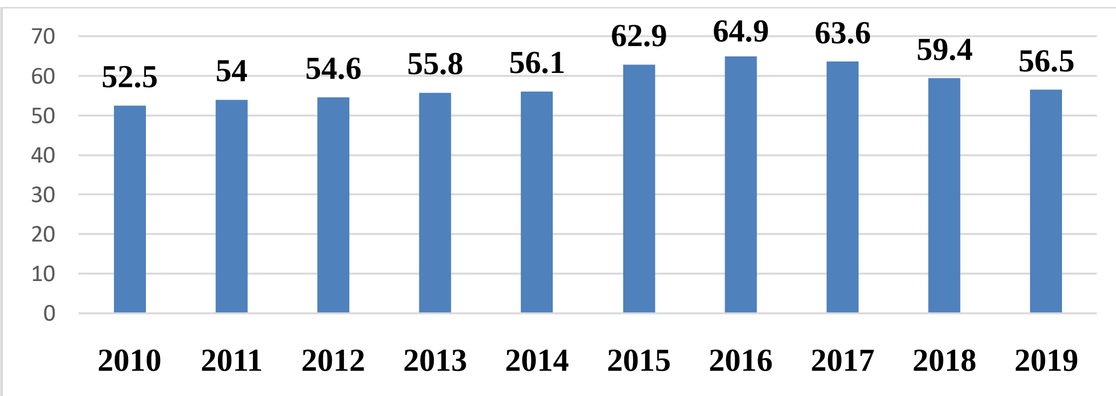
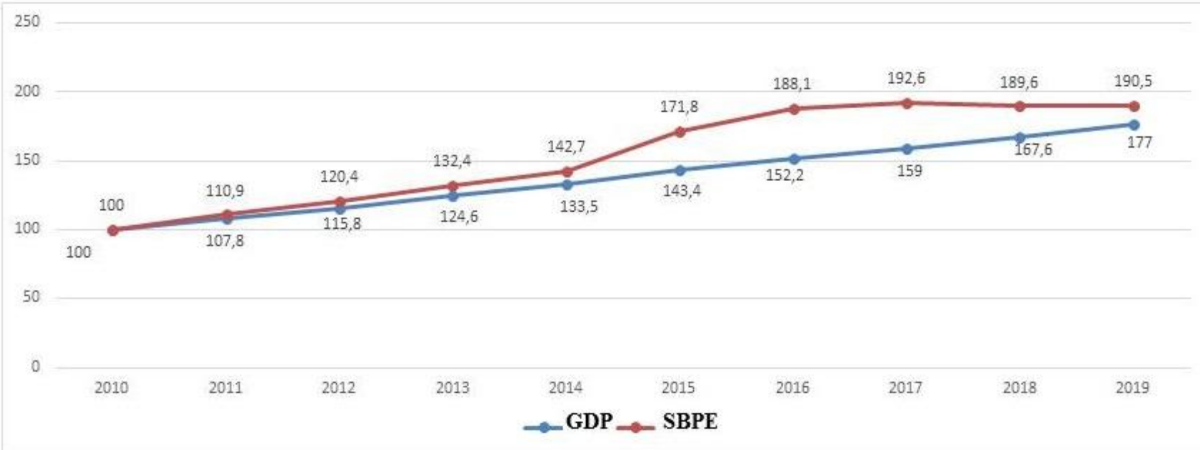


Figure 1 The share of small business and private entrepreneurship in GDP in the Re1public of Uzbekistan, in percent [*Data of the State Statistics Committee of the Republic of Uzbekistan*]

The increase in the share of small businesses in GDP is the result of reforms to increase the volume of products they grow. By the way, while the volume of GDP in 2019 amounted to 177.0% compared to 2010, it should be noted that the share of GDP in GDP during this period increased by more than 1.9 times (Figure 2).



GDP – gross domestic product

SBPE –small business and private entrepreneurship

Figure 2. Dynamics of the share of small business in GDP, in percent [*Calculated by the author on the basis of data from the State Statistics Committee of the Republic of Uzbekistan*]

The results of the statistical analysis of small business and private entrepreneurship show that the share of this industry in industry increased from 26.6% in 2010 to 34.9% in 2019, an increase of 8.3 percentage points. In construction it was 52.5 and 75.4 per cent, respectively, to 22.9 per cent, and employment 1.9; we can see an increase of 15.0 points in exports and 18.4 points in imports (Table 1).

TABLE 1
THE SHARE OF SMALL BUSINESS IN THE ECONOMY OF UZBEKISTAN [COMPILED BY THE AUTHOR ON THE BASIS OF DATA OF THE STATE STATISTICS COMMITTEE OF THE REPUBLIC OF UZBEKISTAN]
(AS A PERCENTAGE OF TOTAL VOLUME)

Year	**GDP**	**Industry**	**Construction**	**Employment**	**Export**	**Import**
2010	52,5	26,6	52,5	74,3	13,7	35,8
2011	54,0	28,6	67,6	75,1	18,8	34,3
2012	54,6	29,7	70,0	75,6	14,0	38,6
2013	55,8	33,0	70,6	76,7	26,2	42,4
2014	56,1	36,8	69,5	77,6	27,0	45,4
2015	62,9	40,6	66,7	77,9	27,0	44,5
2016	64,9	45,3	66,9	78,2	26,0	46,8
2017	63,4	41,2	64,8	78,0	22,0	53,6
2018	60,4	37,4	73,2	76,3	27,2	56,2
2019	56,5	34,9	75,4	76,2	28,7	54,2

The share of small business and private entrepreneurship in the sectors and industries is growing. One of the main reasons for this is that the government of our country is creating favorable conditions for entrepreneurship. Various privileges and preferences are applied to this field. As a result, opportunities are being created for foreign investors to start their own businesses.

Table 2

The share of small business and private entrepreneurship in GDP in the regions of the country, in percent [*Compiled by the author on the basis of data from the State Statistics Committee of the Republic of Uzbekistan*]

	2010 year.	**2011 year.**	**2012 year.**	**2013 year.**	**2014 year.**	**2015 year.**	**2016 year.**	**2017 year.**	**2018 year.**	**2019 year.**	**Average**
TheRepublicofKarakalpakstan	63,6	66	63,6	64	64,5	66,6	61,1	55,8	54,3	54,4	**60,1**
Andijon	54,7	56,3	57	57,5	59,4	78,2	83,1	79,9	73,4	71,4	**70,0**
Bukhara	64,1	65,7	65,5	66,8	67	76,9	78,4	79,2	79,8	75,7	**73,6**
Djizzakh	77,3	79,8	79,2	79,9	79,9	82,5	83,4	84,4	84,3	84,1	**82,5**
Kashkadarya	55	56,2	51,4	51,4	51,5	61,3	64,9	65,1	64,3	60,1	**59,4**
Navoi	34,4	35,9	35,7	36,1	36,9	49	48,8	47,9	42,4	31,3	**40,2**
Namangan	76	78,7	78,4	79,5	79,7	77,6	78,7	79,9	79	79,2	**78,9**
Samarkand	73,6	76,2	75,9	77,1	77,4	80	80,1	81,8	80	77,5	**78,7**
Surkhandarya	71,7	73,8	73,7	74,1	74,5	76,7	78	78,7	79,4	78,2	**76,6**
Syrdayra	77,4	79,8	66,7	67,3	67,7	74,1	74,4	76,5	76,9	73,2	**73,6**
Tashkent	54,7	57,2	54,6	55,3	56,2	65,7	66,2	63,6	57,9	52,7	**58,5**
Fergana	59,5	61,2	60,3	61,1	62,1	70,8	72,6	70,6	69,8	67,0	**66,6**
Khorezm	71,8	74,1	73,5	73,8	73,9	76,3	78,2	78,3	75,9	75,3	**75,5**
Tashkent region	49,9	53,1	53,3	54,6	55,9	60	63,7	64,2	63,4	60,4	**59,7**

Statistical analysis shows that the share of small business and private entrepreneurship in GDP varies across regions. If in 2010-2019 the average annual share of this indicator was high (61.2-81.4%) in the Republic of Karakalpakstan, Andijan, Bukhara, Jizzakh, Namangan, Samarkand, Surkhandarya, Syrdarya, Fergana and Khorezm regions, Kashkadarya, Navoi, Tashkent relatively low (39.4-58.2%) in the regions and in the city of Tashkent (Table 2). This requires special attention to the development of small business and private entrepreneurship in order to reduce unemployment and increase incomes in these regions. It should be noted that Navoi region and the city of Tashkent are industrialized, so there are many large industrial enterprises.

Accelerating innovation processes in small business will reduce costs, allow them to gain a foothold in the market, increase the volume of products and profits, and have a positive impact on increasing business efficiency.

At the current stage of socio-economic development, innovative activity should become one of the most important factors in the development of the economy of the regions of the republic. Therefore, it is an undeniable fact that it is impossible to produce competitive goods and services in the domestic and foreign markets without the regular introduction of the results of scientific and technological progress in production, the acceleration of innovation.

CONCLUSION

In Uzbekistan, it would be expedient to create a network of small businesses and private entrepreneurship by providing benefits and incentives in some areas, depending on the characteristics of the regions. In our opinion, it is possible to increase the level of employment and welfare of the population through the development of entrepreneurship in densely populated areas of the country (for example, Fergana Valley, Tashkent, Samarkand, Bukhara and Khorezm regions). We consider it expedient to pay attention to the following:

1. Entrepreneurship in densely populated areas should be organized by sectors and specializations. For example, tourism-related benefits and incentives should be provided in areas where there is potential for tourism development. Providing benefits to small businesses and entrepreneurs in the regions where cotton is grown, for the production of finished cotton products, and in areas specializing in fruit and vegetables for their deep processing;

2. We consider it expedient that the amount of benefits provided to entrepreneurs in order to encourage them should be directly proportional to the number of additional jobs created by these businesses. At the same time, it is necessary to apply a differentiated taxation system based on the number of new jobs created, provide tax breaks for single businesses from small businesses, and determine whether the amount of taxes remaining at the disposal of the enterprise will be used for expansion and modernization. All these benefits should be targeted based on the specialization of the established business area;

3. Establish financial support in business areas. This includes targeted subsidies, soft loans, depending on the type of business;

4. Providing consulting services to entrepreneurs, conducting special trainings for entrepreneurs;

5. Organization of competitions in order to improve production, the quality of products.

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