ISSN (Online) : 2279-0667

Published by:-
www.tarj.in

TRANS Asian Journal of Marketing & Management Research (TAJMMR)

VISION

The vision of the journals is to provide an academic platform to scholars all over the world to publish their novel, original, empirical and high quality research work. It propose to encourage research relating to latest trends and practices in international business, finance, banking, service marketing, human resource management, corporate governance, social responsibility and emerging paradigms in allied areas of management. It intends to reach the researcher's with plethora of knowledge to generate a pool of research content and propose problem solving models to address the current and emerging issues at the national and international level. Further, it aims to share and disseminate the empirical research findings with academia, industry, policy makers, and consultants with an approach to incorporate the research recommendations for the benefit of one and all.
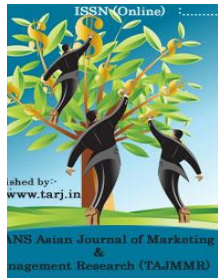
T R A N S A s i a n J o u r n a l o f M a r k e t i n g M a n a g e m e n t R e s e a r c h (TAJMMR)

(Double Blind Refereed & Peer Reviewed International Journal)

A DIAGNOSTIC STUDY OF IMPACT OF FDI ON TRADE AND INDUSTRIALIZATION IN NEPAL

Dr. Khom Raj Kharel*; Dhan Raj Chalise**

*Associate Professor of Economics,
Faculty of Humanities and Social Science,
Tribhuvan University, NEPAL
Email id: kharelkhom@yahoo.com

**Assistant Professor of Management,
Faculty of Management, Tribhuvan University,
NEPAL
Email id: sgreport2dr@gmail.com

ABSTRACT

Foreign direct investment (FDI) is an effective instrument for promoting sustainable economic development. FDI can serve as a principal component to domestic investment and capacity building for the growth and development of the developing as well least developed countries. FDI brings a package of resources such as capital, technology, skills, management know how and marketing capabilities. This present paper has been conducted to examine the diagnostic study of impact of foreign direct investment (FDI) on trade and industrialization in Neal. There has been significant contribution of FDI and trade on economic development of Nepal. Measuring the impact of FDI on trade and industrialization, simple regression model has been applied. Since, FDI flow has been recorded after 1990/91; the impact of FDI has been analyzed over the period of 1990/91-2018/19. This study has found a positive impact of FDI and trade on GDP, trade tax, tax revenue, employment, import trade, total trade and export trade. The overall results show that there has been moderate impact of FDI on macroeconomic variables.

KEYWORDS: *FDI, Trade Impact, Industrialization, Economic Development*

INTRODUCTION

The impact of policy reform on economic performance has been one of the topical issues of economic development. After seventies, there had been gradual progress in trade reform in most of the developing countries; turning from an import substitution strategy to outward export oriented approach. The globalization of the world economy has changed the economic landscape. The multinational companies created international production and distribution networks spanning the globe and actively interacting with each other. The relationship between economic openness and economic growth in developing countries has been topical issues of a large number of empirical studies.

These studies have analyzed the relationship between economic openness FDI flows, trade and economic growth. Economic openness has been considered one of the main determinants of economic growth in developing countries. Most of the empirical researches in this area have treated exports as the principal channel through which the liberalization process can affect the output level and eventually the rate of economic growth. While most cross section studies have found a positive association between exports and growth, a considerable number of studies were applying a range of time series methodologies, found mixed results either supporting or rejecting the export-led growth hypothesis.

A considerable number of studies have found that the relationship between economic openness and economic growth is positive. The liberalization process had expected to increase not only trade but also FDI. Causros et al (2001) had tested the existence and nature of causal relationship between output level, inward FDI and trade in Argentina, Brazil and Mexico from the middle seventies to 1997. The authors had analyzed the extent and sources of international linkages between openness and economic performance in the developing countries, and found that there has been a significant impact of FDI on economic growth and trade. There is a good deal of empirical support for the argument that trade liberalization stimulates long-term economic growth by enhancing factor productivity (Winters et al., 2004). The literature of FDI, trade and economic growth generally points to a positive trade and FDI growth relationship. In theory, economic growth may induce FDI inflow, trade and FDI can accelerate the economic growth.

RESEARCH REVIEW

Nepal has been trying to attract foreign capital inflow after 1980s and speed of FDI has increased after 1990s, by developing various attractive policies and acts. Economic openness has played a crucial role in the growth of both FDI and trade. Trade flows and FDI can be linked in a variety of ways. Foreign direct investment can encourage export promotion, import substitution, or greater trade in intermediate inputs especially between parent and affiliate production (Goldberg and Klein,1998). Foreign direct investment (FDI) has contributed to impressive economic growth in a number of developing countries. FDI not only increases the supply of capital but it can also facilitate technology transfer. Technology transfer contributes to human capital formation which can further enhance prospects of economic growth. FDI can facilitate economic growth through direct and indirect channels (Enderwick, 2005). FDI seems to promote growth through the generation of productivity spillovers. Furthermore, foreign investors can contribute to economic growth because they tend to be more productive than local firms. Most of the

studies find positive effects of FDI on the long-run economic growth through capital accumulation and technical as well knowledge transfers, especially under open trade regime.

Exports have been for long viewed as an engine for economic growth. There is a widely shared view that FDI promotes exports of host countries by augmenting domestic capital for exports, helping transfer of technology and new products for exports, facilitating access to new and large foreign markets and providing training for the local workforce and upgrading technical and management skills (Caves,1996).

The benefits from FDI rely on the technical capability of host country firms. It can be argued that the reason for these mixed results of FDI contributes to economic growth only when a sufficient absorptive capability of the advanced technology is available in the host economy (Blomstrom & Kokko, 2000). The beneficial impact of FDI may be enhanced in an environment characterized by an open trade and investment regime and macroeconomic stability. In this environment, FDI can play a key role in improving the capacity of the host country to respond to the opportunities offered by global economic integration (OECD, 1998).

Different studies have focused on the causal relationship between FDI investment and trade. Some of them found a two-way relationship between FDI and exports and FDI and imports (Pacheco-Lopez 2005). Those studies suggested that a growth of imports results in a growth of FDI inflows. In turn, the growth of FDI causes the growth of exports. Then the growth of exports further leads to the growth of imports. Hence, synergy between the three variables was observed in the economy. Shaikh & Shaikh (2012) presented an empirical link between FDI and economic growth in Pakistan in presence of the total trade of Pakistan with the rest of the world for 30 years from 1980-2009.Their studies suggested a weak but significant and negative association between FDI and economic growth whereas the trade impact on GDP growth was positive and significant.

Adhikary (2011) examined the linkages between FDI, trade openness, capital formation and economic growth rates in Bangladesh over a period 1986-2008. The empirical results trace a strong long-run equilibrium relationship between GDP growth rates and the explanatory variables with unidirectional causal flows. The volume of FDI and level of capital formation were found to have significant positive effect on changes in real GDP. The degree of trade openness unleashes negative but diminishing influence on GDP growth rates.

Many researchers have examined trade and productivity linkages by using sectoral or firm level data. By observing post-transition investment behavior in Poland, Murgasova (2005) found an important role was played by FDI in increasing investment. Soto (2000), by using panel data for developing countries during 1986-1997, conducted that FDI contributed positively to growth through the accumulation of capital and transfer of technology.

In the Nepalese context, no comprehensive study that examines the impact of FDI and trade on possible channels establishing linkages has been found. However, a few studies have examined the investment environment and FDI inflow in Nepal. UNCTAD (2003b) found that pattern of FDI in Nepal largely conformed to the country's comparative advantage such as tourism, herbal products and apparel, and that had positive impacts on exports, particularly garments and tourism. FDI has also enabled the country to export non-traditional manufactured products such

as micro-transformers and personal consumer products. Nepal has witnessed an increase in inflow of FDI in the 1990s following the introduction of the liberal trade policy.

The impact of FDI on an economy can be analyzed in terms of a number of indicators such as its potential contribution to technology and skills, establishment of new industries and export promotion, formation of new clusters as anchor investors and creation of linkages with and associated upgrading of local enterprises (UNCTAD, 2004).

Kharel & Kharel (2019) has found a significant impact of FDI on GDP and employment. The paper has highlighted the contribution of foreign direct investment in Nepalese economy to be remarkable. Nepal needed strategies to become selective in its efforts to bring FDI successfully. World Investment Review (WIR, 2020) has pointed that global FDI are forecast to decrease by up to 40 percent in 2020 from the year their 2019 value of $1.54 trillion which would FDI below $1 trillion for the first time of since 2005. Similarly FDI has been projected to decrease by a further 5 to 10 percent in 2021.

In view of the diverse findings by many studies as well as the apparent weak linkages observed in the Nepalese context, a closer examination of linkages between trade and investment is critically important. Such a study, in addition to filling the research gap in this area at the global and regional levels, can also enable exploration of the measures required in the course of ongoing FDI in Nepal to enhance investment that could contribute to increasing productivity, exports and economic growth.

Research Problems

FDI involves a long-term commitment to a business endeavor in a foreign country. It often involves the engagement of considerable assets and resources that need to be coordinated with such similar activities in a host country. Their management should satisfy the principal requirements of a successful investment such as sustainable profitability and acceptable ratios of risk and profitability. Foreign investors in their efforts to secure profitability look carefully the macro-economic conditions such as strong and stable economic indicators, relatively developed capital markets, fiscal and tax policies that favour price stability, open market regimes etc. Attractions for FDI of a host country are provided by many economic and non-economic factors. FDI and industrial development climate in Nepal has been affecting by weak information base and the absence of effective monitoring system. There is neither any information on actual inflow of FDI into the country, nor any comprehensive research done to assess the actual impact of FDI on the overall economy. Thus, a high time to conduct an in-depth study for evaluating the impact of FDI in terms of its contribution to the GDP, the generation of employment, the mobilization of revenue, the promotion of export and development of entrepreneurship, etc.

Research Objectives

The general objective of this study is to examine the foreign direct investment in Nepalese economy. The specific objectives of the study are as:

   (i) To examine the impact of FDI on trade and industrialization in Nepal.

   (ii) To analyze the FDI environment of Nepal.

Data and Method

The study is based on secondary data and descriptive research design has been applied. The published as well as unpublished relevant literature has been used to review the linkages of FDI on economic growth and trade. Data published by various government and non-government organizations has been used to analyze the situation. Economic survey published by Ministry of Finance, data published by Trade Promotion Center and Statistical Year Book and other reports published by Central Bureau of Statistics and National Planning Commission (NPC) were the major sources of statistical information. Quarterly Economic Bulletin published by Nepal Rastra Bank. Apart from this, reports published by international organizations such as World Bank, the Internal Monetary Funds (IMF) etc. were also used.

For objective (i) to examine the impact of FDI and trade on macroeconomic variables such as GDP, Tax revenue, Trade tax, total trade, import trade, import trade and employment, simple linear regression model has been applied. For objective (ii) to analyze the FDI environment of FDI in Nepal, focus group discussion has been conducted with related sectors by using Zoom.

Model Specification

The following equations are used to estimate the impact of FDI on different macroeconomic variables:

The impact of FDI on industrial employment (E) is estimated by:

$$E = \alpha_0 + \beta_1 FDI + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (i)$$

Where, employment is employment generated due to foreign direct investment, FDI is foreign direct investment. The α_0 is constant, β_1 is coefficient parameter. Employment is expected to be increase due to FDI.

The impact of FDI on GDP is estimated by:

$$GDP = \alpha_0 + \beta_1 FDI + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (ii)$$

The impact of FDI on Trade Tax (TTx) is estimated by:

$$TTx = \alpha_0 + \beta_1 FDI + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (iii)$$

The impact of FDI on Export Trade (Exp.) is estimated by:

$$Exp. = \alpha_0 + \beta_1 FDI + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (iv)$$

The impact of FDI on Total Trade (TT) is estimated by:

$$TT = \alpha_0 + \beta_1 FDI + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (v)$$

The impact of FDI on Industrialization is estimated by:

$$Industrial\ GDP = \alpha_0 + \beta_1 FDI + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (vi)$$

The impact of FDI and Trade on Industrial GDP is estimated by:

$$Industrial\ GDP = \alpha_0 + \beta_1 FDI + \beta_2 Trade + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (vii)$$

For analyzing and interpreting the data collected through the different sources in the process of presentation and analysis, both the qualitative and quantitative parameters have been used. Required econometrics, accounting and statistical tools and techniques has been applied. Data are also presented in tables, graphs and diagrams as required.

Results and Discussion

Impact of FDI on Employment

In principle, FDI increases employment opportunities in the host country. There should be positive relationship between FDI and employment generation. In the context of Nepal, there is low positive relationship between FDI and employment generation. The data of FDI and employment during 1990/91-2018/19 were analyzed by using linear regression model, FDI as independent variable and employment as dependent variable. The regression was a nominal fit (R^2=0.385), and p<.05. The overall model is statistically significant (Table-1). This implies that FDI increases employment in Nepal.

TABLE-1: REGRESSION BETWEEN FDI AND EMPLOYMENT

Model Summary								
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2	Sig. F Change
1	.620[a]	.385	.362	3399.2810754	.385	16.888	1	27	.000

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6476.363	747.951		8.659	.000
	Foreign Direct Investment	.166	.040	.620	4.109	.000
Dependent Variable: Employment Level						
Predictors : (Constant), Foreign Direct Investment						

Source: *Calculated by Author based on Appendix-I.*

Impact of FDI on GDP

There is significant impact of FDI on GDP. In order to find the impact of FDI on GD, the GDP was regressed on FDI. The overall model is statistically significant ($R^2 = 0.556$, p< 0.05). This means that increase in GDP is related to increase in FDI. Similarly, R-square value states that 55.60 % change in GDP is due to independent variable FDI. Likewise, Standard error of the estimate of 7.621 indicates the variability of the observed value of GDP from regression line is 7.621 units. The result shows that there is a significant impact of FDI on GDP. The finding of the regression analysis between FDI and GDP indicates that FDI is a significant predictor of GDP (Table-2).

TABLE-2: REGRESSION BETWEEN FDI AND GDP

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.746[a]	.556	.540	641380.7370951	.556	33.850	1	27	.000

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	574195.682	141124.411		4.069	.000
	Foreign Direct Investment	44.337	7.621	.746	5.818	.000
Dependent Variable: Gross Domestic Product						
Predictors : (Constant), Foreign Direct Investment						

Source: *Calculated by Author based on Appendix-I &II.*

Impact of FDI on Trade Tax

There is significant impact of FDI on Trade tax. In order to find the impact of FDI on Trade tax, the Trade tax was regressed on FDI. The overall model is statistically significant ($R^2 = 0.539$, p< 0.05). This means that increase in Trade tax is related to increase in FDI. Similarly, R-square value states that 53.90 % change in Trade tax is due to independent variable FDI. Likewise, Standard error of the estimate of 0.326 indicates the variability of the observed value of GDP from regression line is 0.326 units. The result shows that there is a significant impact of FDI on Trade tax. It signifies that a change in FDI moderately improved the position of Trade tax. It shows a significant association between the changes in FDI on Trade tax. The finding of the regression analysis between FDI and Trade tax indicates that FDI is a significant predictor of Trade tax. (Table-3).

TABLE-3: REGRESSION BETWEEN FDI AND TRADE TAX

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.734[a]	.539	.522	27472.1926947	.539	31.614	1	27	.000

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16221.577	6044.767		2.684	.012

| Foreign Direct Investment | 1.835 | 0.326 | 0.734 | 5.623 | .000 |

Dependent Variable: Trade Tax
Predictors : (Constant), Foreign Direct Investment

Source: *Calculated by Author based on Appendix-I.*

Impact of FDI on Export Trade

In principle, the flow of FDI accelerates industrial growth of the host country. As a consequence, the industrial growth promotes export trade of that country. It is also slightly true in the context of Nepal. The study reveals that there is positive relationship between Export trade and FDI. The regression analysis is statistically significant ($R^2 = 0.381$, $p < 0.05$), indicating FDI accounts for 38.10 percent variance in Export trade. The coefficient (β) for FDI is 0.617. This means that for each increase in FDI increases export trade (Table-4).

TABLE-4: REGRESSION BETWEEN FDI AND EXPORT TRADE

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.617[a]	.381	.358	20270.7207144	.381	16.593	1	27	.000

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	42593.971	4460.211		9.550	.000
	Foreign Direct Investment	.981	.241	.617	4.073	.000

Dependent Variable: Export Trade
Predictors : (Constant), Foreign Direct Investment

Source: *Calculated by Author based on Appendix-I.*

Impact of FDI on Total Trade

It is assumed that the increase in FDI increases total output of the host country, which tends to increase in total trade. There should be positive relationship between FDI and total trade. This study shows the similar results. The regression analysis is statistically significant ($R^2 = 573$, $p < 0.05$), indicating FDI accounts for 57.30 percent variance in total trade. The coefficient (β) for FDI is 0.757. This means that for each increase in FDI increases total trade (Table-5).

TABLE-5: REGRESSION BETWEEN FDI AND TOTAL TRADE

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.757[a]	.573	.557	266670.5183279	.573	36.244	1	27	.000

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	205999.855	58676.099		3.511	.002
	Foreign Direct Investment	19.075	3.168	.757	6.020	.000
Dependent Variable: Total Trade						
Predictors : (Constant), Foreign Direct Investment						

Source: *Calculated by Author based on Appendix-I & II.*

Impact of FDI on Industrial GDP

There is significant role of foreign investment for industrialization of a country. This study finds that increase in FDI has contributed to increase the industrial GDP. The study reveals that there is positive relationship between FDI and Industrial GDP. The regression analysis is statistically significant ($R^2 = 0.551$, $p < 0.05$). These result indicate that the FDI has influenced in increase in industrial GDP.(Table-6).

TABLE-6: REGRESSION BETWEEN FDI AND INDUSTRIAL GDP

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.742[a]	.551	.534	32980.91080	.551	33.087	1	27	.000
a. Predictors: (Constant), Foreign Direct Investment									

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	35251.924	7256.862		4.858	.000
	Foreign Direct Investment	2.254	.392	.742	5.752	.000
a. Dependent Variable: Industrial GDP						

Source: *Calculated by Author based on Appendix-I&II.*

Impact of FDI and Trade on Industrial GDP

This study basically focuses to show the triple relationship among investment, trade and industrialization. In general, the relationship among investment, trade and industrialization should be positive. In context of Nepal, internal and external factors effect at different way. This study finds that increase in FDI and trade contributes to increase the industrial GDP. The regression analysis is statistically significant ($R^2 = 0.963$, $p < 0.05$). The results indicate that there is triple relationship among FDI, trade and industrial GDP.(Table-7).

TABLE-7: REGRESSION BETWEEN FDI, TOTAL TRADE AND INDUSTRIAL GDP

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.981ᵃ	.963	.960	9701.02091	.963	334.246	2	26	.000

a. Predictors: (Constant), Total Trade, Foreign Direct Investment

Coefficientsᵃ

| Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10858.948	2576.084		4.215	.000
	Foreign Direct Investment	-.005	.176	-.002	-.027	.979
	Total Trade	.118	.007	.982	16.914	.000

a. Dependent Variable: Industrial GDP

Source: *Calculated by Author based on Appendix-I&II.*

Result from Focus Group Discussion

To analyze the FDI environment in Nepal, the focus group has been conducted for getting responses of investors and other related sectors. To facilitate the participants to identify important strategies to attract FDI in the country, the participant were asked what should be done to attract FDI in Nepal? Responding to this question, majority of participants (40%) opined that the administrative hurdles should be removed and 24 percent respondents were in favor of review the existing policies, Acts and Laws. The respondents who noted for improved infrastructure, incentives and facilities and resolving labour issues were 14, 15 and 7 percent respectively (Figure1).

During the focus group discussion almost all respondents were favor of FDI for industrial development of Nepal. They were of opinions that FDI can generate employment opportunities, increases income and eventually contribute to economic growth of the country. Most of the respondents were of opinion that Nepal requires transfer of technology through FDI from in India and China in technical aspects, financial management, managerial aspects and information from global market.

Nearly 50 percent respondents said that transfer of technology is necessary in all areas such as financial management, technical, managerial and for receiving information from global market. This indicative of Nepal's desire for FDI from India and China in all segments of activities. They also suggested for restraining employment of foreigners in the context of FDI. This is particularly attributed to ignorance of respondents about existing FDI rules and regulations.

Figure 1: *Response from Focus Group Discussion*
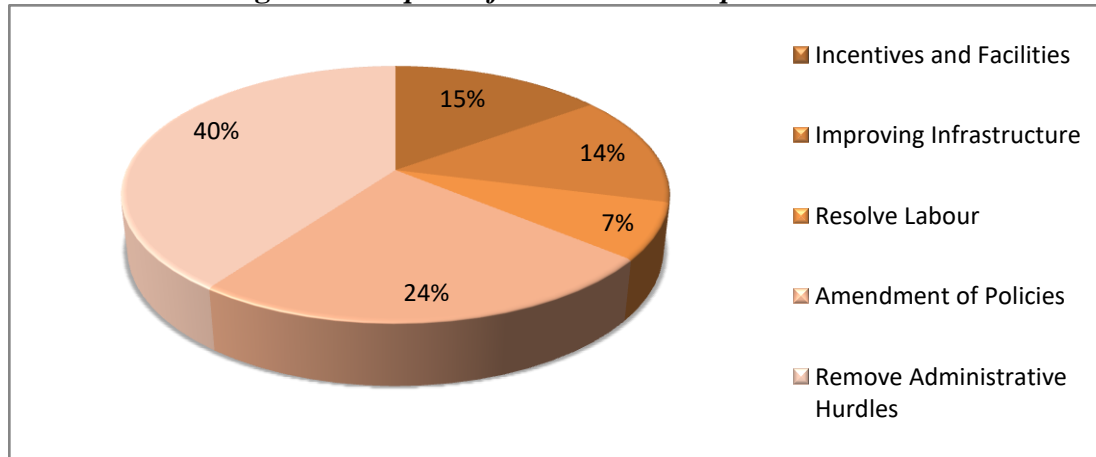
Foreign Direct Investment is open to all areas in Nepal except in some specific areas such as cottage industries, micro-enterprises, business such as hair cutting, beauty parlor, tailoring, driving and training, arms and ammunition industries, gunpowder and explosives, industries related to radio-active material, real estate business, film industries, security, printing, bank notes and coins, retail business, travel agency, trekking agency, water-rafting, pond trekking, horse riding, cigarette and alcohol, internal courier service, atomic energy, tourist lodging, poultry, fisheries, bee keeping, consultancy services such as management, accounting, engineering and legal services.

CONCLUSIONS

FDI is one of the major sources of investment of Nepal. The inflow of foreign investment of Nepal has increased after 1990s while country adopted the open and liberal economic policies. Being a least developed country, investment capacity of Nepalese investors seems to be low for expanding business and industrial sectors. Thus, FDI has significant role for industrial as well as trade promotion of Nepal. The present study shows that there is positive impact FDI on GDP, Trade tax, Tax revenue, Employment, Import trade, Export trade and Total trade. There is moderately significant impact FDI on total trade, import trade, trade tax and GDP. In case of export trade, tax revenue and employment, there is very nominal impact of FDI.

Nepal needs to become selective in her efforts to bring FDI successfully. Nepal has been developing various attractive policies and acts for attraction of foreign capital after 1990s. However, Nepal has to face several obstacles for attracting a desired level of foreign capital flow due to unstable political situation, a lower growth rate of macroeconomic indicators and weak investment environment. FDI climate in Nepal is not satisfactory due to weak information base and the absence of effective monitoring system. Having significant FDI potentialities in diverse fields of Nepal, there has not been created suitable investment friendly environment which disturbs by political debate within inner political party and outer political parties. Besides this, there is neither any information on actual inflow of FDI into the country, nor any comprehensive research work done to assess the actual impact of FDI on the overall economy. Thus, a

comprehensive study to be conducted for evaluating the impact of FDI in terms of its contribution to Nepalese economy.

Appendix Anne-I: FDI, Employment, Trade Tax, Import Trade & Export Trade (1990/91-2018/19). *(Rs. in Million)*

Year	FDI	Employment	Trade Tax	Import Trade	Export Trade
1990/91	406.28	2974	3044.30	23226.5	7387.5
1991/92	597.84	5615	3358.89	31940.0	13706.5
1992/93	3083.67	13873	3944.99	39205.6	17266.5
1993/94	1378.76	4734	5255.04	51570.8	19293.4
1994/95	477.59	2386	7018.11	63679.5	17639.2
1995/96	2219.86	8032	7327.36	74454.5	19881.1
1996/97	2395.54	9347	8309.12	93553.4	22636.5
1997/98	2000.28	4336	8502.23	89002.0	27513.5
1998/99	1666.42	2146	9517.67	87525.3	35676.3
1999/00	1417.61	4703	10813.30	108504.9	49822.7
2000/01	3102.56	3731	12552.10	115687.2	55654.1
2001/02	1209.65	3572	12658.74	107388.9	46944.8
2002/03	1793.77	2144	14236.43	124352.1	49930.6
2003/04	2764.80	5559	15554.77	136277.1	53931.7
2004/05	1635.77	7358	15701.60	149473.6	58705.7
2005/06	2606.31	7389	15344.00	173780.3	60234.1
2006/07	3226.79	10677	16707.60	194694.6	59383.1
2007/08	9811.00	11068	21062.50	221938.0	59266.5
2008/09	6245.09	4368	26792.90	284470.0	67697.5
2009/10	3746.98	8116	35150.80	374335.0	60824.0
2010/11	10053.00	10902	35708.60	396176.0	64339.0
2011/12	7138.00	9035	43395.40	461668.0	74261.0
2012/13	19819.00	16569	56914.90	556740.0	76917.0
2013/14	20132.00	11790	67980.60	714366.0	91991.0
2014/15	67455.00	13167	74844.50	774684.0	85319.0
2015/16	15254.00	11663	82184.00	773599.0	70117.0
2016/17	15206.00	11842	103039.60	990113.0	73049.0
2017/18	55760.00	13940	126867.00	1245103.0	81360.0
2018/19	25484.00	14594	155366.01	1418535.0	97110.0

Source: *Economic Surveys (2010/11, 2014/15 and 2019/20) Department of Industry and Nepal Rastra Bank, Quarterly Bulletin, 2019/20.*

Annex-II: *GDP, Industrial GDP & Total Trade from 1989/90-2019/20. (Rs. in Million)*

Year	GDP	Industrial GDP	Total Trade
1990/91	120370.27	6075.90	30614.0
1991/92	149487.14	7977.70	45646.5
1992/93	171473.89	9526.00	56472.1

1993/94	199272.00	11100.70	70864.2
1994/95	219175.00	12440.50	81318.7
1995/96	248913.00	14249.20	94335.6
1996/97	280513.00	16078.50	116189.9
1997/98	300845.00	17730.30	116515.5
1998/99	342036.00	19758.70	123201.6
1999/00	379488.00	22112.00	158327.6
2000/01	441519.01	28589.40	171341.3
2001/02	459442.81	29335.30	154333.7
2002/03	492231.28	31942.90	174282.7
2003/04	536748.44	35062.40	190187.8
2004/05	589411.55	39004.40	208179.3
2005/06	654084.00	44238.00	234014.4
2006/07	727827.00	50100.40	254077.7
2007/08	815658.00	56846.70	281204.2
2008/09	988053.00	65447	352167.1
2009/10	1192774.00	70924	435159.2
2010/11	1366954.00	80531	535929.0
2011/12	1527344.00	91164	535929.0
2012/13	1695011.00	100312	633658.0
2013/14	1964540.00	112995	806357.0
2014/15	2130150.00	118980	860003.0
2015/16	2253163.00	120967	843716.0
2016/17	2674493.00	133862	1063162.0
2017/18	3044930.00	151920	1326463.0
2018/19	3458790.00	172392	1515645.0

Source: *Economic Survey 2010/11, Economic Survey 2014/15, Economic Survey 2019/20 and Department of Industries (DOI) and Nepal Rastra Bank, Quarterly Bulletin 2019/20.*

REFERENCES

1. Adhikari,B.K.(2001). FDI, Trade Openness, Capital Formation and Economic Growth in Bangladesh: A Linkage Analysis. *International Journal of Business and Management,* Vol.6,No.1,pp.15-25.

2. Blomstrom,M.,Globerman,S. and Kokko, A.(2000). The Determinants of Host Country Spillovers from Foreign Direct Investment. *CEPR Discussion Paper* No.2350.

3. Caves,R.E.(1996).*Multinational Enterprises and Economic Analysis.* 2nd Edition, Cambridge University Press.

4. Cuasros,A.,et all.(2001). *Openness and Growth: Re-examining Foreign Direct Investment, Trade and Output Linkages in Latin America.*

5. Enderwick,P.(2005). Attracting Desirable FDI : Theory and Evidence. Transnational Corporations, Vol.14, No.2 (August 2005), United Nations, New York & Geneva, pp.29-119.

6. Goldberg,S. & Klein,W.(1998). Foreign Direct Investment, Trade and Real Exchange Rate Linkages in Developing Countries. In Reuven Glick(ed.).*Managing Capital Flows and Exchange Rates: Lessons from the Pacific Basin*, Cambridge: Cambridge University Press.

7. Kharel,K.R. & Kharel, S.(2019). Contribution of Foreign Direct Investment in Nepal. pp.77-89. *Journal of Molung Educational Frontier,*Vol.9, December 2019, Molung Foundation, Kathmandu.

8. Ministry of Finance (2010). E*conomic Survey 2010/11.* Kathmandu: Government of Nepal.

9. Ministry of Finance (2014). E*conomic Survey 2014/15.* Kathmandu: Government of Nepal.

10. Ministry of Finance (2019). E*conomic Survey 2019/20.* Kathmandu: Government of Nepal.

11. Ministry of Finance (1992). *Foreign Investment and One Window Policy 1992*. Kathmandu: Government of Nepal.

12. Murgasova,Z.(2005). Post-transitional Investment behavior in Poland: A Sectoral Panel Analysis. *IMF Working Paper*,WP/05/184. Washington,D.C.

13. Nepal Rastra Bank (2019). *Quarterly Economic Bulletin 2019/20*. Kathmandu: Nepal Rastra Bank.

14. OECD (1998*). Foreign Direct Investment and Economic Development: Lessons from Six Emerging Economies.* Paris: Organization of Economic Cooperation and Development.

15. Pacheco,L.P.(2005). Foreign Direct Investment, Exports and Imports in Mexico. *World Economy*, 28 (8).

16. Shaikh,S. and Shaikh,N.A.(2012).Impact of FDI, Capital Formation and International Trade on Economic Growth of Pakistan: An Empirical Analysis. *Interdisciplinary Journal of Contemporary Research in Business*,Vol.3,No.11, pp.182-186.

17. Soto,M.(2000). Capital Flows and Growth in Developing Countries: Recent Empirical Evidence. *Technical Papers* 160. Gevena: OECD Development Center.

18. UNCTAD (2003b). *Investment Policy Review, Nepal.* UNCTAD/IPC/MISC/2003/1, United Nations, New York.

19. UNCTAD.(2004). *Investment Policy Review Sri Lanka.* United Nations Conference on Trade and Development. Retrieved on December10, 2020, from World Investment Report: http://unctad.org.

20. Winters, L.A. et al(2004). Trade Liberalization and Poverty: The Evidence so Far. *Journal of Economic Literature,* Vol.42, No.1, pp.72-115.

21. World Investment Report (2020). *Global Investment Trends and Prospect*s. UNCTAD/WIR/2020. Retrieved on December11, 2020, from World Investment Report: http://unctad.org
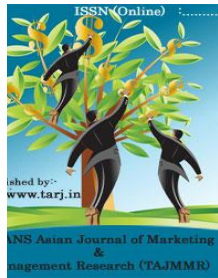
TRANS Asian Journal of Marketing Management Research (TAJMMR)

(Double Blind Refereed & Peer Reviewed International Journal)

THE PROBLEM OF EMPLOYMENT IN UZBEKISTAN IN A PANDEMIC SITUATION

Shoira Azimovna Musayeva*; Dilfuza Ilkhomovna Usmonova;
Farzod Shokhrukhovich Usmanov***

*Associate Professor,
Candidate of Economic Sciences,
Samarkand Institute of Economic and Services,
UZBEKISTAN

**PhD doctor,
Samarkand Institute of Economic and Services,
UZBEKISTAN

***Student,
Samarkand Institute of Economic and Services,
UZBEKISTAN

ABSTRACT

This article analyzes the impact of the COVID-19 pandemic on employment and income. On the example of the Republic of Uzbekistan, the government's anti-crisis policy is considered, which provides for macroeconomic and monetary regulation of the national economy, direct financial support for enterprises and entrepreneurs, credit breaks and vacations for legal entities and individuals, organization of public works and charitable events for the unemployed.

KEYWORDS: *Coronavirus Pandemic, Employment, Unemployment, Labor Market, Entrepreneurship, Public Works, Labor Migration.*

INTRODUCTION

The COVID-19 pandemic has plunged the world into the most serious humanitarian, economic and social crisis of our time. It has had a particularly devastating impact on the world of work, causing tremendous human suffering and exposing the extreme vulnerability of many millions of workers and businesses. According to the latest estimates of the International Labor Organization

(ILO), following the massive closures of factories around the world amid the COVID-19 pandemic, working hours worked globally in the second quarter of this year decreased by 10.7%. This translates into a loss of 305 million jobs based on a 48-hour workweek[2].

The activities of both large and small enterprises have been suspended, working hours have been reduced, personnel are being dismissed. The closure of shopping centers and restaurants, the cancellation of flights and hotel reservations, the transition of businesses to remote work puts many on the brink of collapse. At the same time, the first to lose their jobs were those for whom it was not stable anyway: salespeople, waiters, kitchen staff, loaders, cleaners.

The latest figures from the International Labor Organization (ILO) show that the devastating impact of the COVID-19 pandemic is destroying the incomes of people working in the informal economy and hundreds of millions of businesses. Workers in the shadow sector were the first to be hit. There are 1.6 billion of them - almost half of the world's workforce.

As ILO Secretary General Guy Ryder noted, "The pandemic and the labor crisis are growing. The need to protect the most vulnerable has become more than urgent. For millions of workers, no income means no food, no safety, and no future prospects. The life of millions of organizations is barely glowing. They have no savings or access to loans. This is the reality of our world. If they do not urgently come to their aid, entrepreneurs may simply disappear. " (Guy Ryder, 2020)

The ILO study also notes that the economic and labor market crisis caused by the COVID-19 pandemic could lead to an increase in global unemployment by almost 25 million people. Reduced employment also means significant loss of income for workers. The authors of the study estimate that by the end of 2020 they will amount to between 860 billion and 3.4 trillion US dollars. This will lead to a drop in the consumption of goods and services, which in turn will affect the economic prospects of enterprises and entire countries. Globally, the ILO estimates that the number of people who will join the working poor will range from 8.8 million to 35 million. At the same time, it was initially predicted that in 2020 it, on the contrary, will decrease by 14 million3.

Due to quarantine measures in Uzbekistan aimed at preventing the spread of coronavirus infection, the activities of about 95 thousand individual entrepreneurs, 13 thousand general catering establishments, 45 thousand trade enterprises, 19 thousand service companies, 7 thousand transport companies were suspended. 196 thousand enterprises have significantly reduced the volume of goods and services provided.

As the President of the Republic of Uzbekistan noted, "The coronavirus pandemic, as in all countries of the world, will naturally have a negative impact on our economy." The coronavirus pandemic is wreaking havoc on national economies. According to the forecasts of the International Monetary Fund, this year the world economy is expected to decline by at least 3 percent. It is now becoming apparent that the coronavirus pandemic, along with the threat to human life, is bringing the world closer to the brink of an economic abyss. According to forecasts of international organizations, the economic damage from the pandemic will amount to at least $ 5 trillion. (Mirziyoyev Sh.M., 2020)

Rising unemployment and poverty amid the pandemic remain a serious problem even in the most prosperous states. The number of unemployed has also increased in Uzbekistan. In addition, according to preliminary estimates, the pandemic could seriously affect the incomes of about 450 thousand families.

Providing employment and increasing incomes of the population are the priorities of state policy in our country. In accordance with this, comprehensive and regional programs were developed, the tasks of ministers, khokims and sector leaders were defined. The main goal is to find employment for at least one member of a poor family and bring it out of poverty, therefore it is necessary to deal with the problems of each family and each citizen from this category separately. (Mirziyoyev Sh.M., 2020).

The crisis in the economy and the labor market caused by the COVID-19 pandemic could lead to an increase in global unemployment by almost 25 million people, according to the latest study by the International Labor Organization (ILO). (ILO and COVID-19 Standards, 2020)

The crisis had a very strong negative impact on the employment of workers in a number of key sectors of the economy - services, construction and others. Workers who earned daily work in service or catering establishments faced great difficulties.

With the onset of the pandemic, international labor migration also abruptly stopped, which negatively affected the well-being of the population of the republic, since the reduction in remittances is one of the most important factors in the growth of poverty in Uzbekistan. Many seasonal labor migrants lost their jobs in receiving countries and returned to Uzbekistan.

According to the survey results, the number of citizens who left for labor activity abroad in the first half of 2020 amounted to 2,040 thousand people, which is 553.2 thousand less than the indicator for the same period last year, and by 232 compared to the first quarter of 2020. thousands of people.

Expectations for future migration have also deteriorated radically. Thus, the number of people considering the option of labor migration in the future has decreased by more than 95% compared to last year4.

All these factors affect the state of the labor market. The unemployment rate among the economically active population of the republic in the first half of 2020 compared to 2019

increased by 4.1%. Young people and women who were not competitive in the labor market turned out to be especially vulnerable (Fig. 1).
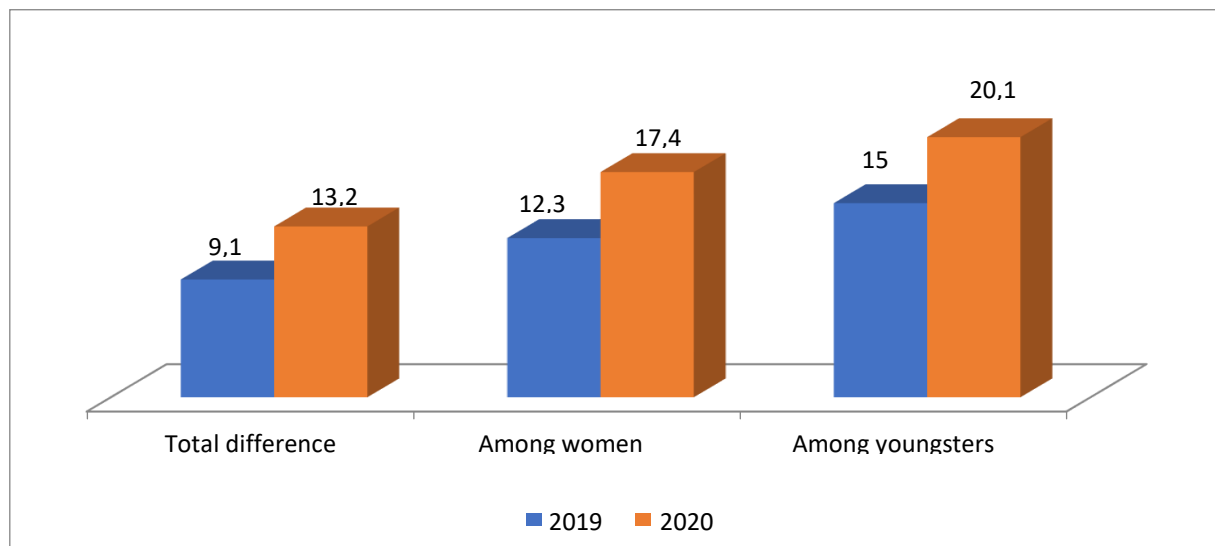

Fig. 1. Unemployment rate among the economically active population of Uzbekistan, including women and youth,% [5]

In the labor market, job postings have dropped by more than 75% compared to the same period in 2019, and by as much as 90% in the provision of services such as tourism, restaurants and education. Even in less crisis-affected industries such as construction and transportation, the demand for workers fell by 50% or more.

At the same time, the number of economically inactive population of the republic in the first half of 2020 increased by 4.5%. This is due to the fact that representatives of the business and service sector, who temporarily suspended their activities during the period of quarantine measures, intend to resume it after the restrictions are lifted, subsequently preferring not to engage in other activities.

Back in 1936, when the Great Depression was raging in the Western world, the English economist John Maynard Keynes believed that the state should actively intervene in the economy. He proposed the following methods of anti-crisis policy:

1. Increase in government spending in the form of government orders or public works. With the help of this measure, the state itself is able to create additional demand, despite the fact that these measures lead to an increase in the budget deficit, which can be covered, for example, by the state debt.

2. Reducing the tax burden during a recession to stimulate economic growth.

3. Carrying out an expansionary monetary policy, which affects demand through an increase in the volume of money supply in circulation, provoking inflation. Consumers, acting on the basis of adaptive inflationary expectations, spend their savings increasing the current demand for

goods and services[6]. In Uzbekistan, according to this theory, an anti-crisis policy was also developed aimed at maintaining aggregate demand and employment by:

- Direct financial support - soft loans for businesses and entrepreneurs;

- Tax, credit breaks and vacations for individuals and affected businesses;

- carrying out public works and charity events for the unemployed.

In general, the measures of macroeconomic and monetary regulation carried out and planned by the state for implementation are effective, time-tested and time-tested by different countries to overcome the crisis. Anti-crisis measures taken in Uzbekistan in the context of coronavirus infection are consonant with Keynesian theory and named "7 steps to restore the economy during a pandemic" (Fig. 2).
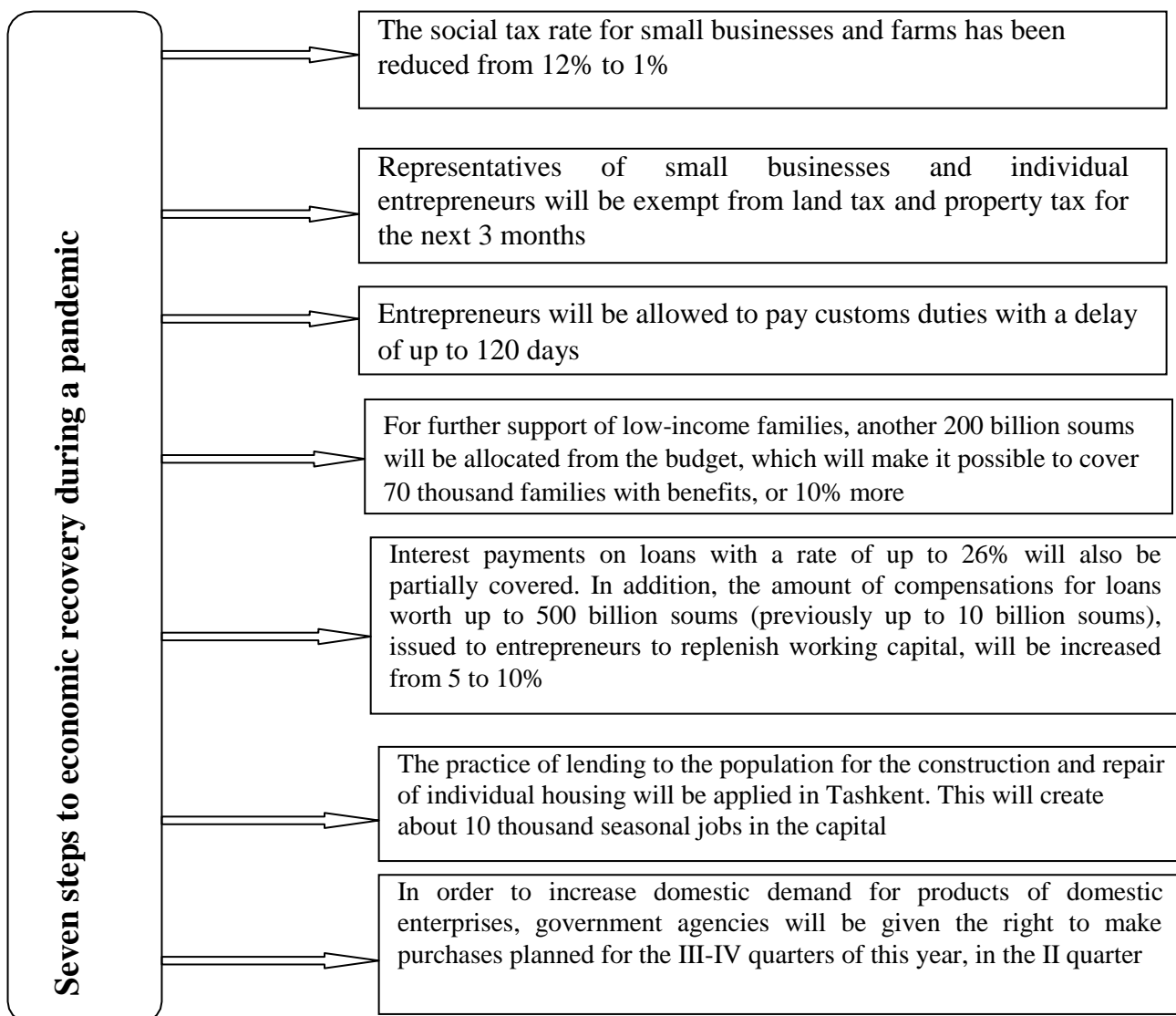

Fig. 2. Seven Steps to Economic Recovery During a Pandemic[7]

After the first cases of the appearance of coronavirus infection in Uzbekistan (the first patient was detected on March 15) and the emergence of the danger of its further spread, on March 19, 2020, an Anti-Crisis Fund was created in the amount of 10 trillion. soums to finance measures to combat the spread of coronavirus infection, support entrepreneurship and employment of the population, and a Republican anti-crisis commission was formed, which was entrusted with the task of promptly solving the problematic issues and the development of additional measures to ensure the smooth operation of industries and sectors of the economy8.

To overcome the pandemic and support the economy, 2 trillion 250 billion soums were allocated from the Anti-Crisis Fund and already about 1 billion US dollars from the funds of international financial institutions (table.1).

TAB. 1 INTERNATIONAL FINANCIAL ASSISTANCE TO UZBEKISTAN TO OVERCOME THE ECONOMIC CRISIS[9]

Financial institutions	Dedicated funds (USD)	Additional loans (USD)
International Monetary Fund	373mln.	_-
The World Bank	200 mln.	-
Asian development bank	**200 mln.**	**1 bill.**
European investment bank	**50 mln.**	**-**
European union	**36 mln.**	**-**
Islamic Development Bank	**17 mln.**	**46 mln.**

In Uzbekistan, one of the leading sectors of the economy, providing economic stability and employment of the population, is the construction sector, which employs 1 million 325 thousand people, and which also provides employment in other industries. Therefore, it was given priority attention in the course of the recovery of the national economy.

In order to prevent a decrease in construction volumes during the quarantine period, an additional 3.6 trillion soums were sent to the industry. To stimulate the construction of housing, a mechanism is being introduced according to which the State Fund for Supporting the Development of Entrepreneurial Activities will provide private contractors with partial compensation for interest expenses on loans and a guarantee in the amount of up to 50 percent of the loan amount.

Many companies and enterprises have adapted their activities in the conditions of quarantine and restrictive measures by switching to remote work mode. To ensure the correct transition and compliance with all norms, the Ministry of Employment and Labor Relations has developed and implemented the "Regulations on the temporary procedure for transferring workers to work remotely".

In the republic only in the first half of 2020, 501.1 thousand citizens received permanent jobs and were involved in paid public works, 15 thousand were sent for professional training. unemployed, unemployment benefits were paid to 27 thousand unemployed at the expense of the Employment Promotion Fund for a total of 10.1 billion soums.

The government approved a temporary order to ensure the employment of family members whose social situation and standard of living have deteriorated in the context of the coronavirus pandemic. At the expense of the Public Works Fund for Temporary Employment, about 230 thousand unemployed citizens were employed. More than 33 thousand families were provided through the mechanism of subsidizing low-income families for the development of household plots and the creation of agricultural cooperatives, 3 thousand unemployed were employed due to subsidies for the development of entrepreneurship among the population, 20 thousand unemployed received unemployment benefits. Thus, 374 thousand citizens are provided with employment and regular income in the first half of 2020.

In addition, through subsidies from the said fund, 24.8 thousand people were employed on personal subsidiary plots, 15 thousand citizens were accepted as members of agricultural, sewing or handicraft cooperatives, three thousand were attracted to entrepreneurial activities, 256 employers were provided with measures of material support for raising the professional qualifications of 2.3 thousand unemployed employed in the direction of labor authorities10.

Large enterprises and clusters in the mining, metallurgical, oil and gas, chemical, automotive, construction, electrical, pharmaceutical, food, transport and logistics sectors, receiving state benefits and preferences, were entrusted with the creation of infrastructure for training workers.

At the expense of the Public Works Fund for Temporary Employment, about 230 thousand unemployed citizens were employed.

Young people and women intending to obtain microloans will be trained in entrepreneurship free of charge. Thus, short-term training courses on motivation and vocational training for 33,380 women are being organized. It is planned to provide employment for 15 thousand women within the framework of the World Bank funds in the amount of $ 2 million.

It is planned to create at least 10 thousand new jobs through the implementation of 2.2 thousand youth projects worth 360 billion soums. Another important innovation for young people will be the creation of a venture fund under the State Fund for the Support of Entrepreneurship. Initially, $ 1 million will be transferred to the venture fund. Young entrepreneurs are reimbursed for the costs of consulting services on legal, accounting, marketing, banking and other issues.

The anti-crisis measures taken in the country, in our opinion, should be aimed at solving the following main tasks: protecting workers in the workplace, stimulating the economy and demand for labor resources, supporting employment and income.

Along with this, it should be noted that employment growth in Uzbekistan is mainly provided by the unincorporated sector. In the future, this trend is likely to increase due to privatization and restructuringa large number of often inefficient state-owned enterprises. Meanwhile, in the unincorporated sector, informal labor relations still predominate. Therefore, support for the growing unincorporated sector should be built on the basis of a set of economic and social measures that facilitate the transition to more productive employment.

REFERENCES

1. Mirziyoyev Sh.M. "The next phase of quarantine mitigation has been initiated"

2. 05.05.2020 https://president.uz/ru/lists/view/3544

3. Mirziyoyev Sh.M. "Outlined important directions for the development of the regional economy" 05/07/2020 https://president.uz/ru/lists/view/3554

4. Mirziyoyev Sh.M. "If we do not complete this work in the next 2-3 years, each year of delay will cost our country 10 years of progress" 05/11/2020 https://president.uz/ru/lists/view/3566

5. Abdurakhmanov K.Kh. "Labor Economics. Theory and Practice". Scientific Publishing House IVG, London, United Kingdom, 2020. 676-pp.

6. K.Kh. Abdurakhmanov. Labor economics. Theory and practice: Textbook: 2 h. / -

7. Moscow: FGBOU VO "PRUE im. G.V. Plekhanov ", 2019.

8. Abdurakhmanov K., Zokirova N. Human development. Textbook. Bremerhaven- 2014. P.423

9. Odegov Y.G., Gliakhmedov R.A., Abdurakhanov K.H. Human resource marketing. Monograph. Universitas-Gyor Nonprofit Kft. 2017 .-- p. 262.

10. Abdurakhmanov K., Zokirova N. Economic trends of the youth labor market in Uzbekistan Regional Science Inquiry. 2019.Vol. 11.No. 1. P. 33-44;

11. Abdurakhmanov K.H. "Cifrovoj Uzbekistan - 2030" vyvedet iz otstayushchih. ["Digital Uzbekistan - 2030" - will lead out of the backward] // Newspaper "Narodnoe slovo". April 10, 2020, No. 74 (7545)

12. Abdurakhmonova G. Employment in the COVID 19 pandemic: opportunities and barriers. Review.uz. 04/14/2020. https://review.uz/oz/oee

13. Abdurakhmanov K.Kh., Zokirova N.K. New challenges and priorities of the labor market development in Uzbekistan. Journal Revista Espacios. Vol. 40 (Number 10) Page

14. "ESPACIOS" # 10 / Caracas, Venezuela. ISSN: 0798 1015 / Number 10, 2019.

15. 12. Guy Ryder. (2020) ILO: As job losses escalate, nearly half of global workforce at risk of losing livelihoods. 29 April 2020.https: //www.ilo.org/global/about-the-ilo / newsroom / news / WCMS_743036 / lang - en / index.htm

16. 13. Keynes JM General theory of employment, interest and money. Favorites. - M .: Eksmo, 2008 .-- 960 p.

17. 14. Cure for the crisis: how to treat the Uzbek economy. https://uz.sputniknews.ru/infographics/20200618/14364203/Lekarstvo-ot-krizisa---   chem-lechit-uzbekskuyu-ekonomiku-ot-karantina.html

18. 15. UN Calls for Mitigation of COVID-19 Impact on Labor Market

19. //https://www.un.org/ru/coronavirus/un-calls-measures-cushion-covid-19-shocks- labor-market

20. 16. COVID-19 and the world of work. International Labor Organization // https://www.ilo.org/wcmsp5/groups/public/dgreports/dcomm/documents/meetingdo cument / wcms_747992.pdf

21. 17. William Seitz. On economic recovery after the COVID-19 crisis

22. //https://www.gazeta.uz/ru/2020/06/29/economy/

23. 18. Decree of the President of the Republic of Uzbekistan dated March 19, 2020 "On priority measures to mitigate the negative impact on the economy of the coronavirus pandemic and global crisis phenomena" // National database of legislation, 03/20/2020, No. 06/20/5969/0341

24. 19.7 steps to restore the economy during a pandemic // https://www.norma.uz/nashi_obzori/7_shagov_po_vosstanovleniyu_ekonomiki_v_perio d_pandemii
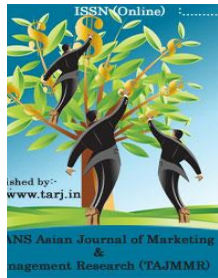
T R A N S A s i a n J o u r n a l o f M a r k e t i n g M a n a g e m e n t R e s e a r c h (TAJMMR)

(Double Blind Refereed & Peer Reviewed International Journal)

COOPERATION OF UZBEKISTAN WITH THE ISLAMIC DEVELOPMENT BANK: CURRENT STATE AND PROSPECTS

Ravshan Vakhidovich Abdullaev*

*Professor,
Doctor of Economics,
Department of Islamic Economics and Finance, Pilgrimage Tourism,
International Islamic Academy, UZBEKISTAN
Email id: ravshan.v.abdullaev@gmail.com

ABSTRACT

The article examines the aactivities of the Islamic Development Bank in the Republic of Uzbekistan from 1991 to the present day, as well as cooperation aimed at the near future. Provides statistical data on completed and existing projects in such areas as health care, energy, agriculture, construction and equipment of secondary schools and vocational colleges, construction and repair of highways, support for small and private businesses, assistance in public finance management reform, etc. By its nature and scale, all activities of the IDB in Uzbekistan are divided into three stages: "passive, moderate and active phases" of cooperation.

KEYWORDS: *Islamic Development Bank (IDB), Organization Of The Islamic Conference (OIC), Islamic Corporation For The Development Of The Private Sector (ICDC), International Islamic Corporation For Trade Finance (IICFT), Tranche Of Loan Funds, Stages Of Cooperation, "Passive Phase", "Moderate Phase" And "Active Phase ".*

INTRODUCTION

Muslim states occupy a special place in the external economic relations of Uzbekistan with foreign countries. In his speech at the 43rd session of the OIC Council of Foreign Ministers in Tashkent, President of the Republic of Uzbekistan Sh. Mirziyoyev noted: "The Islamic world has a huge economic and investment potential, energy resources. Their rational use, the expansion of international trade, economic, financial, investment cooperation of the OIC member states, the creation of transport corridors connecting our countries, will allow achieving high rates of economic development, which ultimately is the basis for progress in all other areas "[9: 1].

PURPOSE OF THE STUDY

The purpose of this study is to review the activities of the Islamic Development Bank in the Republic of Uzbekistan since 1991 to the present day, as well as to show the main directions of cooperation in the near future. Based on the analysis of statistical data, divide all activities into several stages according to the nature of cooperation and the amount of investment.

MATERIALS AND METHODS

The relevance of the study is due to the urgent need of the national economy for foreign investment, which was noted in the speeches of the head of the country [9:1].

In the course of the study, the essence, content and principles of financing based on the norms of Sharia (Islamic law) [1:256] were considered in detail. Consequently, she is familiar with the real facts of the functioning of the Islamic economic model in the conditions of modern life [2:352]. In particular, in the works of Zhuravlev A.Yu. considered the basic principles of the functioning of Islamic banks, as well as their economic and legal aspects [3].

Value guidelines in the economic environment of the Islamic world are highlighted in the articles of the scientific collection edited by S.V. Pirogov [4: 148]. Islamic finance and banking system, as well as their historical aspects of origin and development, are considered in the books of B. Juraev [6:464] and E.A. Baydaulet [7: 255].

When conducting a comparative analysis of statistical material on various periods of the IDB's activities in Uzbekistan, general scientific research methods were used.

DISCUSSION

In recent years, there has been an intensification of the activities of the Islamic Development Bank in Uzbekistan, which is expressed, relatively, in large volumes of loans allocated for the development of the country's economy. The Islamic Development Bank (IDB) is an international organization; in terms of the types of operations it performs, as well as the methods of implementation of credit and investment agreements with borrowers, it is an unconditional benchmark for all Islamic banks [1:57]. The IDB was established on December 18, 1973 at a meeting of the finance ministers of the countries - members of the Organization of the Islamic Conference and began its activities in 1975. At present, the Bank unites 57 member countries.

The IDB group also includes organizations such as the Islamic Research and Training Institute, the Islamic Corporation for Investment and Export Credit Insurance, the Islamic Corporation for the Development of the Private Sector and the International Islamic Trade Finance Corporation.

The main activity of the IDB Group is aimed at stimulating the comprehensive socio-economic development of the member countries, encouraging cooperation between them, as well as promoting the Islamic financial industry.

Cooperation between Uzbekistan and the IDB began in 1991. Although Uzbekistan was not yet a member of this organization, the Bank approved the allocation of grants for the reconstruction of a number of historical structures, such as the Mir-Arab Madrasa in Bukhara and the Dar-El Hadith Madrasa of the Memorial Complex of Imam Al-Bukhari.

In September 2003, the Republic of Uzbekistan became a full member of the IDB. In the same year, an IDB mission headed by the Vice-President of the bank, Dr. Amadou Boubakar Sise, was sent to Uzbekistan, following which a program of cooperation between the Government of the Republic of Uzbekistan and the IDB for the coming years was determined.

To date, within the framework of this program, the IDB has approved financing in the amount of more than $ 2.015 billion for the implementation of 42 projects in such areas as health care, energy, agriculture, construction and equipment of secondary schools and vocational colleges, construction and repair of highways , opening lines of financing for small and private businesses, assistance in the reform of public finance management, etc.

Projects aimed at developing healthcare include the provision of medical equipment to regional centers for emergency medical care and its regional branches, which was completed in 2004 at the expense of IDB loans in the amount of $ 23.8 million, a project to modernize oncological institutions of the Republic of Uzbekistan in 2012 in the amount of $ 37.04 million, equipping sanitary and epidemiological laboratories with modern equipment - $ 17.44 million.

In the field of education, a number of projects have been completed for the construction and equipping of 5 professional colleges in the amount of $ 10.5 million, secondary schools - $ 22.03 million, support for the development of higher education in Uzbekistan - $ 44.48 million.

A significant part of the credit lines were directed to the development of energy, transport and agriculture. As an example, the following projects can be cited: Modernization of the UE "Farkhad HPP" - $ 100 million, construction of a 500KV high-voltage line at Syrdarya TPP at Substation Sogdiana - $ 25 million, expansion of Guzar-Surkhan substations - $ 42 million, reconstruction of the M-39 highway Tashkent-Termez - $ 167.2 million, purchase of 4 Boeing aircraft for Uzbekistan Havo Yollari NAC - $ 170 million, construction of modern rural houses - $ 400 million, restoration of irrigation and drainage networks in Jizzakh and Syrdarya regions - $ 52.65 million, etc.

The Islamic Corporation for the Development of the Private Sector (ICD), a member of the IDB group, was established in 1999 with an authorized capital of $ 1 billion. The Republic of Uzbekistan became a member of the ICD in December 2004. In the first years of cooperation, the ICD allocated $ 3 million to finance private sector projects aimed at purchasing technological equipment on a lease basis.

In accordance with the decision of the ICD Board of Directors, commercial banks of the Republic of Uzbekistan opened credit lines in the amount of $ 50 million in 2009, $ 80 million in 2012, $ 50 million in 2013 to finance small and private business projects, and also the creation of a leasing company with an initial capital of $ 5 million. In January 2017, the aforementioned Council approved the provision of a new tranche of loans to commercial banks in the amount of $ 70 million, including Microcredit Bank - $ 12 million, Ipak Yuli Bank - $ 12 million, Hamkor Bank - $ 11 million, Asia Alliance Bank - $ 10 million, Kapital Bank - $ 8 million, Orient Finance Bank - $ 5 million, Uzbekleasing - $ 7 million and other banks - $ 5 million.

Terms of credit lines ICD: annual interest rate of at least 8.5% and not more than 12%, while any profit received by the intermediary bank is divided between the Bank and ICD in a 1: 3 ratio (25% Bank and 75% ICD). The loan is granted for 4 years with a grace period.

In general, as a result of all the financing allocated by the ICD, more than 200 small and medium-sized business projects have been implemented in Uzbekistan, on the basis of which over 3,300 new jobs have been created.

If we consider financing in the context of the sectors of the economy of Uzbekistan in the period from 1991 to 2017, then we can observe that among them the priority area was energy - $ 403.1 million, followed by such sectors as transport - $ 348 million. , agriculture and water management - $ 332.6 million, as well as providing the population with drinking water, improving sanitation and improving urban infrastructure - $ 205.9 million. During this period, the least funding was received by such areas as education - $ 34.1 million and industrial production - $ 70.1 million.

According to the annual analysis of the volume of allocated loans in all sectors, it shows that the peak of financing falls on 2013 - $ 380.7 million, and in 2002 there was no financing at all. In general, for the period under review, the IDB allocated $ 1.803 million in various loans for the socio-economic development of the Republic of Uzbekistan.

In September 2018, IDB President Bandar Hajar paid an official visit to Uzbekistan. During this visit, a document was signed on strategic partnership between the Republic of Uzbekistan and the IDB for 2018-2021, which provides for the allocation of $ 1.3 billion to the country. At the conference "Day of the IDB Group" B. Hajar said that the Bank is ready to support Uzbekistan in implementing projects aimed at developing the economy and innovation. According to him, out of the total volume of lending, $ 475 million is planned to be directed to projects in the field of energy, transport and urban development, $ 300 million - on housing construction in rural areas, $ 140 million - social development and $ 85 million - for private business projects in the country.

RESULTS

The past period of cooperation between the Republic of Uzbekistan and the IDB, starting from 1991 to the present day and taking into account the near future, can be conditionally divided into 3 stages:

The first stage can be called a "passive phase" (1991-2002) in cooperation between the IDB and Uzbekistan. As a non-IDB member, Uzbekistan has received gratuitous assistance in the amount of $ 1.8 million over 11 years.

The second stage is assessed as a "moderate phase" (2003-2017) of cooperation. Uzbekistan, being already a member of the IDB, for 14 years has received financing from the Bank in the form of various loans in the amount of $ 1,801.2 million (on average $ 128 million / year). During this period, the Bank considers Uzbekistan, most likely, as a business partner with whom it can deal, but with caution, using more guaranteed types of contracts and, excluding risky ones, like *mudaraba* and *musharaka*.

The third stage is the "active phase" of cooperation, aimed at the near future (until 2021). An agreement was reached on the allocation of loans in the amount of $ 1.3 billion (an average of $ 433 million / year). Here the Bank sees Uzbekistan as a reliable and proven partner with whom one can make good money and, at the same time, contribute to the development of the IDB member country.

CONCLUSIONS

Thus, we can conclude that cooperation between Uzbekistan and the Islamic Development Bank has been, is and will continue. It should be noted that it is mutually beneficial, most importantly, effective. The main thing is that it will serve the good of our people.

REFERENCES

1. [Pavlov V.V. Islamic banks in Islamic finance law. - M.: "Ankil", 2003. - 256 p.]
2. [Bekkin R.I. Islamic economic model and modernity. - M.: Ed. house of Mardjani, 2010. - 352 p.]
3. Zhuravlev A.Yu. The principles of functioning of Islamic banks. Islamic finance in the modern world: economic and legal aspects / Ed. R.I.Bekkina. - M.: UMMA, 2004.]
4. [Value guidelines in the economic environment of the Islamic world: Collection of articles / Ed. S.V. Pirogova. Comp. G.Yu. Mikryukova. - M.: MAKS Press, 2009 . - 148 p.]
5. [Islamic finance and banking system (Islamic finance and banking system). Translation: B. Juraev. - T.: "O'zbekiston", 2014. - 464 b.]
6. [Baydaulet E.A. Fundamentals of Islamic Finance. - T.: "O'zbekiston", 2019. –255 p.]
7. [Abdullaev, Ravshan "Basic principles of Islamic banking and trends in the development of cooperation between Uzbekistan and the Islamic Development Bank", Prague (Czech Republic), Paradigmata poznani No. 1, 2019.]
8. [IsDB. Uzbekistan, Support for Inclusive Growth. Country Partnership Strategy 2018-2021, December 2017.]
9. www.isdb.org
10. www.uzembassy.kz/
11. Batirova Nilufar Sherkulovna. (2020). Trends And Features Of Industrial Development In The Region (On The Example Of Tashkent Region). *International Journal of Advanced Science and Technology*, *29*(9s), 5381 - 5391. Retrieved from http://sersc.org/journals/index.php/IJAST/article/view/18017
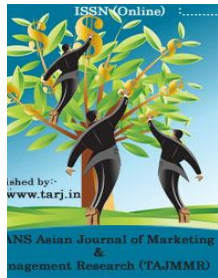
QUALITY OF WORK LIFE AS A PREDICTOR OF ORGANIZATIONAL EFFECTIVENESS – A CASE OF PUBLIC AND PRIVATE SECTOR EMPLOYEES

Razia Saleem*; Dr. kr. Sajid Ali Khan**; Dr Shah Mohd Khan**

*Research Scholar,
Aligarh Muslim University, Aligarh, INDIA
Email id: raziasaleem59@gmail.com

**Associate Professor,
Department of Psychology,
Aligarh Muslim University, Aligarh, INDIA

ABSTRACT

The study was carried out in different public and private sector organizations located in Aligarh city. The data was collected from 300 employees from different sectors through convenience sampling. Standardized tools were used to measure quality of work life and organizational effectiveness. The results reveal that quality of work life was significantly and positively related with organizational effectiveness and its dimensions. Further, overall quality of work life, self-respect, promotion, and employee health, autonomy at work and employee participation emerges as significant predictors of organizational effectiveness of employees. Thus, it can be inferred that public/private sector employees who experienced higher level of quality of work life, showed higher level of organizational effectiveness to become productive in the organization in real sense.

KEYWORDS: *Employees, Organizational Effectiveness, Public Sector, Private Sector, Quality of Work Life.*

INTRODUCTION

Quality of work life is one of the most important factors for human motivation and improving of organizational effectiveness. The current study was carried out aimed to determine the relationship between quality of work life and organizational effectiveness- A case of Public and

Private Sector Employees. Quality of work life is an inclusive idea that is consisted of physical and psychological health, economic situations, personal belief, and interaction with environment. (Khorsandi, Jahani, Rafie, and Farazi, 2010).

In history, work has taken an important place in the life of human beings and era old concern for both human resources and managers and the term Quality of Work Life was coined at the first international conference on QWL at Arden House in 1972. (Davis and Cherns 1975). Mills (1978) coined the term "quality of working life recommended that it had moved permanently into the vocabulary of unions and management, even if many of the people using it were not precisely sure what territory it covered" In twentieth century, our social science conceptualizations about work have been labeled socio-technical systems theory, scientific management, human relations, and now possibly holistic learning organizations. In North America, Europe, and Japan QWL have received as an approach leading to greater advancement and adjustment of the work place and increase greater productivity in work force. As Thompson (1983) indicated, "QWL programs propose a movement toward greater engagement with the cooperation, knowledge, and tacit skills of the work force"

Organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce. Organizational Effectiveness groups in organizations directly concern themselves with several key areas. They are talent management, leadership development, organization design and structure, design of measurements and scorecards, implementation of change and transformation, deploying smart processes and smart technology to manage the firms' human capital and the formulation of the broader Human Resources agenda. According to Richard, (2009) organizational effectiveness captures organizational performance plus the myriad internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers, or customers), such as corporate social responsibility.

Delamater and Takezawa, (1984) pointed out the idea that quality of work life originated work and the idea that the quality of life means the development of the workers life to have a better living condition, to work in a good working condition, to receive fair benefits and safe equal rights. According to these writers, the quality of work life means good results from work which benefit the workers as a result of the improvement of the organization and its work nature, the special consideration given to the workers work life, work satisfaction and decision-making sharing.

Chacko and Anantharaman, (1994) in their study tested the relationship between organizational effectiveness and organizational climate. This study was conducted in two public and two private sectors. They found significant correlations between organizational climate and organizational effectiveness. Multiple regressions of the nine dimensions of organizational climate on organizational effectiveness found 43 percent of the variation explained by organizational climate. Long range planning was considered as the most important criteria of organizational effectiveness by respondents in the public sector and in the private sector. The dimension of societal value was considered of greater importance in the public sector than in the private sector.

SIGNIFICANCE OF THE PRESENT STUDY

This study will give a deeper insight in understanding the concept of quality of work life, and organizational effectiveness. It will help in identifying the critical/ significant predictors of organizational effectiveness for employees working in public/ private sector organizations. It includes two research variables namely Quality of work life (QWL) and Organizational effectiveness (OE). In this research, we investigate the relationship among both variables.

OBJECTIVES OF THE STUDY

1. To examine the relationship of quality of work life with organizational effectiveness among public / private sector employees.
2. To identify the critical predictors of organizational effectiveness in quality of work life.

HYPOTHESIS OF THE STUDY

In the light of available literature the following hypothesis were formulated:

Ha1. There will be a positive relationship between overall quality of work life and its dimensions with overall organizational effectiveness and its dimensions among organizational sectors.

Ha2. The regression coefficient for predicting organizational effectiveness through quality of work life will be other than zero.

SAMPLE OF THE STUDY

The present research sample comprised 300 employees working in different public and private sectors in Aligarh district of Uttar Pradesh. The age of the employees range was between 35 to 55 years. The data was collected by convenience sampling method.

TOOLS USED

Quality of Work Life Scale and Organizational Effectiveness Scale were used for data collection. The brief description of the scales is presented in the following paragraphs.

QUALITY OF WORK LIFE SCALE- This scale was developed by Shah and Ansari (2000) It was a five point Likert scale, comprised with 48 items. The minimum and maximum score ranges between 48 to 240. The high score indicates the high quality of work life of the employees in the organization. Its split half reliability was r= 0.72 and congruent validity was r= 0.89 respectively. It is well-standardized measures of quality of work life.

ORGANIZATIONAL EFFECTIVENESS SCALE- The organizational effectiveness scale was developed by Srivastava and Bannerjee (1997).This scale comprised eight dimensions: namely, efficient organizational system, congenial climate, efficiency, dynamism and adaptability, interpersonal harmony, efficient leadership, high morale, job satisfaction and commitment. All the items are "true-keyed" and have to be rated on 5-point scale namely (absolutely true, almost true, partially true, almost wrong and absolutely wrong). The possible scores for each item ranged from 1 to 5. Responses are added on each dimension to get the total score on individual dimensions and overall organizational effectiveness. The high scores obtained by respondent indicate high level of organizational effectiveness. The reliability and validity of this scale is well established. The split- half reliability of sub scales was varying from

0.816 to 0.916. Inter dimension reliability of sub- scales were also high and significant at 0.05 level of significance.

Table 4.1: Showing overall correlation of QOWL with organizational effectiveness. (N=300; n=150-public sector+ n=150- private sector)

PROCEDURE

Good rapport was established with each respondent before requesting to fill up the questionnaire and then instructions were invariably explained to the respondents. After that questionnaires were distributed individually. Subjects were assured of confidentiality of their responses and were requested to extend their co-operation. Finally, questionnaires were collected from all the respondents, scoring done and analysis was carried on.

STATISTICAL ANALYSIS

In order to meet the research objectives Pearson Product Moment Correlation was examined to study the relationship between quality of work life and organizational effectiveness. Stepwise Multiple Linear Regression Analysis conducted to identify the significant predictors of organizational effectiveness. The analysis carried out using SPSS. 20 versions.

RESULTS AND DISCUSSION

Relationship between predictor and criterion variables

Pearson Product Moment correlations of Quality of Work Life as well as its dimensions (i.e. work itself, employee participation, physical working condition, union management relations, organizational climate, inter group relation, employee relation, autonomy at work, organizational commitment, supervisory relations, trust, clarity in organization, recognition economic benefits, self respect, employee health, promotion) as predictor variables with criterion variable Organizational Effectiveness and its components (i.e. efficient organizational system, congenial climate, efficiency, dynamism and adaptibility, interpersonal harmony and cooperation, efficient leadership, high morale, job satisfaction and commitment) were examined for public/private sector employees and shown in table 1.

TABLE 4.1: SHOWING OVERALL CORRELATION OF QOWL WITH ORGANIZATIONAL EFFECTIVENESS. (N=300; N=150-PUBLIC SECTOR+ N=150-PRIVATE SECTOR)

Variables		X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16	X17	X18	O.E Y9
Quality of work life	X1	1	.54	.55	.53	.65	.45	..62	.58	.63	.60	.48	.65	.52	.49	.67	.34	.51	.73	.32
	X2		1	.67	.67	.59	.61	.57	.64	.63	.59	.43	.65	.55	.65	.49	.41	.57	.74	.49
	X3			1	.57	.62	.54	.67	.63	.59	.57	.46	.64	.58	.61	.55	.39	.57	.75	.37
	X4				1	.66	.64	.56	.65	.66	.58	.39	.71	.57	.66	.55	.37	.55	.76	.44
	X5					1	.69	.71	.74	.81	.75	.63	.81	.64	.71	.72	.34	.58	.85	.45
	X6						1	.69	.74	.65	.69	.53	.66	.61	.68	.58	.44	.49	.78	.44
	X7							1	.77	.68	.76	.53	.69	.62	.62	.76	.32	.54	.83	.37
	X8								1	.69	.82	.56	.75	.63	.69	.68	.35	.56	.85	.49
	X9									1	.69	.51	.73	.57	.66	.67	.32	.56	.82	.44
	X10										1	.55	.76	.61	.66	.69	.29	.52	.82	.44
	X11											1	.58	.47	.47	.49	.25	.39	.64	.36
	X12												1	.64	.74	.69	.33	.62	.85	.49
	X13													1	.55	.46	.43	.59	.75	.42
	X14														1	.64	.41	.57	.79	.45
	X15															1	.33	.47	.79	.29
	X16																1	.44	.46	.17
	X17																	1	.69	.48
	X18																		1	.51
O.E	Y9																			1

r =0.11 (p<.05), r=0.15 (p<.01), r=0.19 (p<.001) One tailed

D1= Age, X1-Work itself, X2- employee participation,X3- physical working condition,X4- union management relations,X5- organizational climate,X6-inter group relation,X7- employee relation,X8- autonomy at work,X9- organizational commitment, X10- supervisory relations, X11- trust, X12- clarity in organization, X13- recognition,X14- economic benefits, X15- self respect, X16- employee health,X17- promotion,X18- quality of work life overall, Y9- organizational effectiveness overa

Table 4.1 shows the correlation between quality of work life and its all dimensions with overall organizational effectiveness. The correlation coefficients revealed that quality of work life is significantly and positively correlated with organizational effectiveness at (r = .51, p<0.01). Significant positive correlation was also found between all dimensions of quality of work life with overall organizational effectiveness like work itself (r = .32) employee participation (r = .49) physical working condition (r = .37) union management relations (r = .44) organizational climate (r = .45) inter group relation (r = .44) employee relation(r = .37) autonomy at work (r = .49) organizational commitment (r = .44) supervisory relations (r = .44) trust (r = .36) clarity in organization (r = .49) recognition (r = .42) economic benefits (r = .45) self respect (r = .29)

employee health (r = .17), promotion (r = .48) at 0.01 level of significance with organizational effectiveness. Therefore, H_a1 is supported as probability to support the hypothesis is (p<0.01) the research hypothesis can safely be accepted. Findings indicated that as the level of quality of work life of employees increases, the organizational effectiveness also increases. Thus, it can be inferred that employees who experienced higher level of quality of work life, showed higher level of organizational effectiveness to become loyal with the organization in true sense. It is universally truth that when an employee develops coherent sets of perception about their quality of work life, his feelings of obligation towards the organization will definitely increase in every likelihood.

In order to determine critical predictors of organizational effectiveness in quality of work life, regression analysis was carried out and results are shown in table 2.

TABLE.2: SHOWING THE RESULTS OF STEPWISE MULTIPLE LINEAR REGRESSION ANALYSIS BY CONSIDERING QUALITY OF WORK LIFE AS A PREDICTOR OF ORGANIZATIONAL EFFECTIVENESS AMONG ORGANIZATIONAL SECTORS

Predictor variables	Standardized coefficients β	Multiple R	R^2	R^2 change	F	p	Cohen's f^2
Quality of Work Life (Model $Y9 = a + \beta_{18}X_{18} + \beta_{15}X_{15} + \beta_{17}X_{17} + \beta_{16}X_{16} + \beta_2X_2 + \beta_8X_8$)							
X18	.321	.514	.264	.264	106.96	0.001	0.36
X15	-.233	.546	.299	.034	14.57	0.001	0.43
X17	.221	.565	.319	.021	9.07	0.003	0.47
X16	-.142	.579	.335	.015	6.80	0.010	0.50
X2	.188	.593	.352	.017	7.59	0.006	0.54
X8	.180	.600	.360	.009	4.00	0.046	0.56
Constant		117.654					

*** p<0.01 (1-tailed), Predictor variable: X_{18}=overall quality of work life, X_{15}=self respect,*

X_{17}=promotion, X_{16}=employee health, X_2=employee participation, X_8=Autonomy at work, criterion variable: Y_9=Organizational effectiveness overall,

QWL and its' dimensions were considered as predictors and organizational effectiveness as criterion to prepare a regression model. The Overall QWL accounted for a significant amount of variance in organizational effectiveness, R^2=0.264, F (1, 298) = 106.96, p <0.0001. It can be inferred that overall QWL explaining 26.4% variance in organizational effectiveness of organizational sectors. There exists enough evidence to conclude that the slope of the population regression line is not zero and, hence, that QWL is useful predictor of organizational effectiveness for organizational sectors. Here we have considered R^2 Change, that is actual contribution of criterian variable to the predictor variable. Hence the real covariance, the magnitude of predictor variable which contributed to the criterian variable (organizational effectiveness) came out as 26.4% for overall quality of work life. Further, Cohen's effect size

value (f^2 = 0.36) suggested a large strength of association between QOWL and organizational effectiveness.

The dimension of QOWL that is self respect was considered as predictor and organizational effectiveness as criterion to prepare a regression model. The self respect accounted for a significant amount of variance in organizational effectiveness, R^2=.299, F (1, 297) = 14.57, p <0.0001. It can be inferred self respect explaining 29.9% variance in organizational effectiveness of organizational sectors. There exists enough evidence to conclude that the slope of the population regression line is not zero and hence, that self respect dimension of QWL is useful predictor of organizational effectiveness for organizational sectosr. Here we have considered R^2 Change, that is actual contribution of criterian variable to the predictor variable. Hence the real covariance, the magnitude of predictor variable which contributed to the criterian variable (organizational effectiveness) came out as 3.4% for self respect. Further, Cohen's effect size value (f^2 = 0.43) suggested a large strength of association between self respect and organizational effectiveness.

The dimension of QWL that is promotion was considered as predictor and organizational effectiveness as criterion to prepare a regression model. The promotion accounted for a significant amount of variance in organizational effectiveness, R^2=.319, F (1, 296) = 9.07, p <0.005 It can be inferred promotion explaining 31.9% variance in organizational effectiveness of organizational sectors. There exists enough evidence to conclude that the slope of the population regression line is not zero. Hence, promotion dimension of QWL is useful predictor of organizational effectiveness for organizational sectors. Here we have considered R^2 Change, that is actual contribution of criterian variable to the predictor variable. Hence the real covariance, the magnitude of predictor variable which contributed to the criterian variable (organizational effectiveness) came out as 2.1% for promotion. Further, Cohen's effect size value (f^2 = 0.47) suggested a large strength of association between promotion and organizational effectiveness.

The dimension of QOWL that is employee health was considered as predictor and organizational effectiveness as criterion to prepare a regression model. The employee health accounted for a significant amount of variance in organizational effectiveness, R^2=.335, F (1, 299) = 6.80, p <0.001. It can be inferred employee health explaining 33.5% variance in organizational effectiveness among organizational sectors. There exists enough evidence to conclude that the slope of the population regression line is not zero. Hence, employee health dimension of QWL is useful predictor of organizational effectiveness for organizational sectors. Here we have considered R^2 Change, that is actual contribution of criterian variable to the predictor variable. Hence the real covariance, the magnitude of predictor variable which contributed to the criterian variable (organizational effectiveness) came out as 1.5% for employee health. Further, Cohen's effect size value (f^2 = 0.50) suggested a large strength of association between employee health and organizational effectiveness.

The dimension of QOWL that is employee participation was considered as predictor and organizational effectiveness as criterion to prepare a regression model. The employee participation accounted for a significant amount of variance in organizational effectiveness, R^2=.352, F (1, 299) = 7.59, p <0.001. It can be inferred employee participation explaining

35.2% variance in organizational effectiveness of organizational sectors. There exists enough evidence to conclude that the slope of the population regression line is not zero. Hence, employee participation dimension of QWL is useful predictor of organizational effectiveness among organizational sectors. Here we have considered R^2 Change, that is actual contribution of criterian variable to the predictor variable. Hence the real covariance, the magnitude of predictor variable which contributed to the criterian variable (organizational effectiveness) came out as 1.7% for employee participation. Further, Cohen's effect size value ($f^2 = 0.54$) suggested a large strength of association between employee's health and organizational effectiveness.

The dimension of QOWL that is Autonomy at work was considered as predictor and organizational effectiveness as criterion to prepare a regression model. The Autonomy at work accounted for a significant amount of variance in organizational effectiveness, $R^2 = .360$, F (1, 299) = 4.00, p <0.05. It can be inferred Autonomy at work explaining 36% variance in organizational effectiveness among organizational sectors. There exists enough evidence to conclude that the slope of the population regression line is not zero. Hence, Autonomy at work dimension of QWL is useful predictor of organizational effectiveness among organizational sectors. Here we have considered R^2 Change, that is actual contribution of criterian variable to the predictor variable. Hence the real covariance, the magnitude of predictor variable which contributed to the criterian variable (organizational effectiveness) came out as 0.9% for autonomy at work. Further, Cohen's effect size value ($f^2 = 0.56$) suggested a large strength of association between employee's health and organizational effectiveness.

The above findings give a strong base to support H_a2. Hence the hypothesis that "the regression coefficient for predicting organizational effectiveness through quality of work life among organizational sectors will be other than zero" is accepted. It can safely be concluded that quality of work life and its various facets are the good predictor of organizational effectiveness. The finding suggests that in order to improve effectiveness of the organization, the management require to improve the quality of work life of the employees.

Because of findings, it becomes clear that quality of work life as well as its dimensions is more useful predictor of organizational effectiveness for public sector employees in comparison to private sector employees. The study shows that there is a positive relationship between quality of work life and organizational effectiveness. Therefore, it is suggested that organizational effectiveness could be improved in a better way by improving and promoting quality of work life. If the quality of work life increases, organizational effectiveness also increases in public as well as in private sector employees also. It may be interesting for future studies to look at the influence of other quality of work life dimensions on organizational effectiveness. Better Quality of Work Life is the key to attract and retain qualified and motivated employees and can possibly lead to enhanced organizational effectiveness. Singh and singh, (2015) observed quality of work life of teachers working in higher educational institution and founded that quality of work life is an important issue from the teachers' perspective as it effect the job satisfaction level, commitment, and performance level. They also suggested that higher educational authority should take progressive step to organize a conducive and congenial work cultural and environment at higher educational institutions in which every teacher works in a well-defined manner for their own excellence and for institutional effectiveness.

CONCLUSION

➢ Quality of work life were found to be significantly positively correlated with all the dimensions of organizational effectiveness (efficient organizational system, congenial climate, efficiency, dynamism and adaptibility, interpersonal harmony and cooperation, efficient leadership, high morale, job satisfaction and commitment) as well as with overall organizational effectiveness among public and private sector employees.

➢ Self-respect, promotion, employee health, employee participation, and Autonomy at work (dimensions of QWL) and overall Quality of work life emerged as a significant predictor of organizational effectiveness among public and private sector employee.

LIMITATIONS OF THE PRESENT STUDY

➢ The size of the sample of present investigation is quite limited, which puts a limitation on the generalizability of the results of the present study.

➢ The study employed very few demographic variables like age, gender and organization type to explain the current variables. It is worthwhile to consider other demographical variables like experience, educational level, pay scale, marital status and socio-economic status.

➢ The sample comprised of academic sector employees only, other organizational sectors could also be studied further. Therefore, that it would provide more insight and new perspective for the present variables.

REFERENCES

Chacko, A., & Anantharaman, R. N. (1994). Organizational effectiveness and its relationship to organizational climate. Journal of Psychological Researches, 38(1&2), 46-54.

Davis, L. & Cherns, A. (Eds.). (1975). *The quality of working life*. New York: Free Press.
Delamotte, Y., & Takezawa, S. (1984). "Quality of Working Life in International Perspective," Switzerland: International Labor Organization, pp.2.
Khorsandi, M., Jahani, F., Rafie, M., & Farazi. (2010). A Health- Related quality of life in staff and hospital personnel of arak university of Medical sciences in 2009. Journal of Arak Medical University, 13(1):40–48.
Mills, T. (1978). What's in a name? Detroit: General Motors Corporation.
Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009). Measuring organizational performance: towards methodological best practice. Journal of Management, 35(3): 718-804.
Shah, S.A., & Ansari, S. A. (2000). Influence of HRD activities and perceived upward mobility on employees organizational commitment and QWL. Unpublished Ph.D. Thesis, AMU, Aligarh.
Srivastava, A. K., & Banerjee, R. (1997). Organizational Effectiveness Scale. In D. M. Pestonjee (Ed.), Third handbook of psychological and social instruments (pp. 307-311). New Delhi: Concept Publishing Company.

Singh, O. P., & Singh, S. K. (2015). on quality of work life if teachers working in higher educational institution: A strategic approach towards teacher's excellence. International Journal of Advances research in computer science and management studies, 3, Issue 9.

Thompson, P. (1983). The nature of work. London: Macmillan Education.
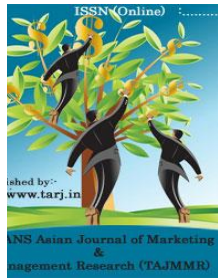
TRANS Asian Journal of Marketing Management Research (TAJMMR)

MANAGEMENT ACCOUNTING PRACTICES IN NEPALESE COMMERCIAL BANKS: ADOPTION AND BENEFITS

Naba Raj Adhikari*; Prem Lal Adhikari**

*Associate Professor,
Central Department of Management
Faculty of Management, Tribhuvan University,
Kathmandu, NEPAL
Email id: adhikarinavaraj7@gmail.com

**Ph.D. Scholar Lecturer,
Padma Kanya Multiple Campus,
Tribhuvan University, Kathmandu, NEPAL
Email id: pladhikari2014@gamil.com

ABSTRACT

The main aim of this study is to identify the management accounting tools adopted in Nepalese commercial banks. Applying the descriptive research design, the study consists eight commercial banks among the 27 commercial banks of Nepal. 120 respondent from managerial and officers level were selected and 78 respondents were able to respond the questionnaire i.e., response rate is 65 percentage. Through five point likert type questionnaire primary sources of information have been collected. The collected data were analyzed through SPSS and presented through the descriptive statistics. In this study absorption costing found giving higher emphasis than variable costing. It is also found that budgeting for planning and annual operations and controlling cost in Nepalese banks are practicing. In addition, profitability measure have got importance in performance evaluation. Under the information for decision making panel, industry analysis and analysis of competitor's strength and weakness have found relative benefited and got emphasis in future s in Nepalese commercial banks.

KEYWORDS: *Management Accounting, Adoption, Practices, Commercial Banks*

INTRODUCTION

The global competition, scarce resources, change and complexity in the business environment, and advanced technology have intensified the challenges for more objective and detailed management accounting information (Hussein, 2018). These significant challenges and pressures faced by managers require them to change management accounting (Ahmad and Leftesi, 2014). Companies use different traditional and contemporary management accounting methods and tools to assess their operations. Those methods help them to plan, direct and control operating costs and to achieve their targets. It is recognized that management accounting practices are important for the success of companies (Ahmad, 2014; Ahmad and Leftesi, 2014; Alleyne and Marshall, 2011).It has been recognized that management accounting practices are important to the success of the organization (Horngren et al., 2009). The traditional tools of management accounting like product costing, budgeting and performance evaluation have been augmented and updated with contemporary approaches such as activity based costing, customer profitability analysis, value chain analysis, target costing and strategies cost management (Kaplan and Atkinson, 1998). Management accounting information refers to various types of management accounting information systems and analytical approaches (budgets, performance measures, costing systems, variance analysis) that the organizations use for planning and control purposes. In this context management accounting practice is how to use the information given by accounting for decision making (Shahzadi et al., 2018).

Management accounting is defined in general as accounting information, such as profit and cost, which is used for management planning and control (Nishimura, 2005). Furthermore, management accounting provides reports including cost analyses and financial predictions for organization managers. It is considered as not only giving information to decision makers but also giving models and techniques to produce complex decisions. The role of management accounting expands into first providing relevant information for planning, control and decision making and second, it plays majorly in the process of decision and strategy making, working closely with executive managers (Mohamed et al., 2015). Companies use management accounting with different methods and tools to assess their operations. Current management accounting practices have incorporated financial and nonfinancial techniques to provide information at both operational and organizational level.

Ahmad, (2014); Alleyne and Marshall, (2011) identified that management accounting practices are important for the success of companies. Moreover significant challenges and pressures faced by managers require them to change management accounting (Ahmad and Leftesi, 2014) that help them to plan, direct and control operating costs and to achieve their targets. According to (Pavlatos and Paggios, 2009), traditional management accounting techniques, such as absorption costing, standard costing, traditional budgets, cost volume profit analysis and profit based performance measures, focus on concerns internal to the organization. In the another aspect the more recent management accounting tools, such as activity based costing, balanced score card, target costing, value chain analysis and benchmarking have affected the whole process of management accounting (planning, controlling, decision making, and performance evaluation) and have shifted its focus from a simple or naive role of cost determination and financial control,

to a sophisticated role of creating value through improved deployment of resources (Kaplan and Atkinson, 1998; Otley, 1995; Haldma and Laats, 2002).

Banking sector is the backbone of economy and plays an intrinsic role for economic development. It performs as intermediaries between two essential parties that are the surplus and deficit units. The design of management accounting system helps managers to be more efficacious in decision making, thereby aiding organization improving their efficiency and become more competitive toward any challenging environment (Ismail & Isa, 2011). There are no significant differences in management accounting practices among local and foreign companies, or between small and medium, and large companies. Sharma (2015) identified that lack of knowledge concerning the management accounting practices in developing countries like Nepal instead they rely strongly on traditional management accounting practices. From the above mentioned background the study seeks to address the following questions.

- In what extent Nepalese commercial banks are practicing management accounting tools?

- How the Nepalese commercial banks are getting benefits derived from the adoption of management accounting practices.

The purposes of this study are to:

- Determine the extent to which management accounting practices have been adopted by Nepalese commercial banks.

- Identify the degree of benefits derived from the adoption of management accounting practices.

METHODOLOGY

This study is based on descriptive research design based on survey method. Eight commercial banks consisting two government owned banks, three joint venture banks and three privately owned banks were selected as the sample for the study among the 27 commercial banks. The respondent for the study were taken from managerial and officers level employees in the selected banks. Five point Likert type questionnaire were developed to obtain the opinion regarding the use of management accounting tools in Nepalese commercial banks. All together 120 respondent were selected under random sampling methods among them 78 questionnaire from the responded were received in the useable form.   The collective data were analyzed using SPSS and descriptive statistics were obtained to describe the nature of management accounting tools adopted in sampled banks.

Results and Analysis

TABLE 1: RELATIVE ADOPTION OF MANAGEMENT ACCOUNTING PRACTICES

Panel A : Cost accounting	Mean	Std. deviation
Absorption costing	4.56	.502
Variable costing	4.22	.453
Activity based costing	2.56	.672
Standard costing	3.67	.546

Panel B : Budgeting		
Budgeting for planning annual operations	4.85	.442
Budgeting for controlling cost	4.92	.476
Budgeting for coordinating activities of the various parts of the organization	4.65	.562
Budgeting for evaluating the performance of managers	4.86	.587
Zero based budgeting	3.20	.453
Budgeting for long terms (strategic) plans	4.16	.342
Flexible budgeting	3.19	.456
Activity based budgeting	2.10	.689
Panel C: Performance evaluation		
Profitability measures (operating profit and revenue growth)	4.87	.453
Nonfinancial measures related to customers	3.54	.472
Nonfinancial measures related to innovations	3..80	.570
Nonfinancial measures related to employees	3.46	.524
ROI	4.20	.634
Residual income	2.36	.333
EVA	2.25	.642
Balanced scorecard	1.52	.584
Benchmarking	3.40	.484
Panel D: Information for decision making		
Product profitability analysis	3.54	.452
Customer profitability analysis	3.40	.429
CVP analysis	4.72	.626
Panel E: Strategic analysis		
Industry analysis	3.88	.456
Analysis of competitors' strength and weaknesses	3.18	.527
Analysis of competitive position	4.10	.516
Long range forecasting	4.32	.435
Activity Based Management	2.42	.636

Table 1 presents the relative adoption of management accounting tools in Nepalese commercial banks. The table reflects absorption costing and variable costing have got greater importance in practices than variable costing whereas activity based costing and standard costing found relatively low adoption rate. In addition in budgeting panel, budgeting for planning and operation, controlling cost evaluating performance of managers and long term planning has got importance in use however flexible budgeting and zero based budging have got low importance. The activity based budgeting tools has less significant in practice. In the part of performance evaluation profitability measure are found significant used in Nepalese banks and nonfinancial measures related to customer, employee and innovations have found used as moderately in practice.

While going through the information's for decision making tools, CVP analysis got highest mean value whereas customer profitability and product profitability obtained less moderate adoptions rate through the comparison of mean value. Finally analyzing the component of strategic analysis, long range forecasting, analysis of competitive position, industry analysis and analysis of competitors strength and weakness have used have got importance in use respectively. While activity based management have found not significant in use.

TABLE 2: RELATIVE BENEFIT AND FUTURE EMPHASIS OF MANAGEMENT ACCOUNTING PRACTICES

Management Accounting practices	Relative Benefit			Relative Future Emphasis		
Panel A : Cost accounting	Mean	Std. deviation	Rank	Mean	Std. deviation	Rank
Absorption costing	4.59	.538	1	4.62	.553	2
Variable costing	4.34	.453	2	4.82	.434	1
Activity based costing	3.56	.672	3	3.56	.644	3
Standard costing	2.67	.577	4	3.20	.535	4
Panel B : Budgeting						
Budgeting for planning annual operations	4.86	.568	1	4.88	.432	1
Budgeting for controlling cost	4.82	.567	2	4.72	.454	2
Budgeting for coordinating activities of the various parts of the organization	4.67	.563	3	4.65	.564	3
Budgeting for evaluating the performance of managers	4.62	.487	4	4.22	.536	4
Zero based budgeting	2.20	.653	8	2.70	.451	8
Budgeting for long terms (strategic) plans	4.16	.442	5	3.76	.332	5
Flexible budgeting	3.20	.455	7	2.89	.460	7
Activity based budgeting	3.10	.522	6	3.10	.672	6
Panel C: Performance evaluation						
Profitability measures (operating profit and revenue growth)	4.88	.633	1	4.78	.559	1
Nonfinancial measures related to customers	3.64	.671	2	4.54	.444	2
Nonfinancial measures related to innovations	3..30	.520	4	3..40	.598	4
Nonfinancial measures related to employees	3.40	.524	3	3.86	.577	3
Residual income	2.20	.533	8	2.20	.457	7

Economic Value Added	2.88	.333	7	2.12	.366	8
Balanced scorecard	2.98	.651	6	3.25	.575	5
Benchmarking	3.28	.456	5	3.10	.588	6
Panel D: Information for decision making						
Product profitability analysis	3.60	.444	2	3.86	.667	3
Customer profitability analysis	3.54	.467	3	3.89	.450	2
CVP analysis	3.90	.785	1	4.40	.490	1
Panel E: Strategic analysis						
Industry analysis	4.72	.482	1	3.72	.619	2
Analysis of competitors' strength and weaknesses	3.88	.452	3	3.88	.774	1
Analysis of competitive position	4.18	.545	2	3.28	.545	4
Long range forecasting	3.10	.767	4	3.20	.475	5
Activity Based Management	2.32	.454	5	3.32	.409	3

Table 2 indicates the relative benefits and future emphasis on use of management tools in Nepalese commercial banks. In the cost accounting part, absorption costing have highest mean value with first rank among the component under cost accounting panel. In future emphasis, variable costing have got highest rank. Under budgeting aspects, budgeting for planning annual operations, budgeting for controlling cost, budgeting for coordinating activities and evaluating the performance of managers have ranked from highest to lowest respectively in present benefit and future emphasis. While Zero based budgeting got ranked lowest rank in both relative benefit and future emphasis.

Examining the indicators under performance evaluation panel, profitability measures have rank in 1st position and nonfinancial measure related to customer, employees and innovations are ranked 2nd, 3rd, and 4th position respectively. Residual income, balance scorecard and economic value added have got relative lower emphasis. In addition in the panel of information for decision making CVP analysis, Product profitability analysis and customer profitability analysis are ranked in one two and three in present benefit in use while for future emphasis customer profitability analysis is ranked in second position.

Finally, in strategic position panel, industry analysis in present and analysis of competitor's strength and weakness in future emphasis have ranked in first position. Activity based management stand in lowest rank in present benefit and ranked third in future emphasis.

CONCLUSION AND IMPLICATIONS

Present study was designed to extract the adoption of management accounting tools in Nepalese commercial banks. Study reveals that absorption costing found giving higher emphasis than variable costing. Due to external reporting purpose Nepalese bank may tend to use absorption costing however in future emphasis Nepalese bank tend to adopt variable costing. Budgeting for planning and annual operations and controlling cost in Nepalese banks are exercising in optimum point and resulted benefit at present and future emphasis too. In performance evaluation part

profitability measure have got importance due to the profit volume being first concern of Nepalese investor. All the items under information for decision making are found approximately importance in present and emphasis in future. Finally, industry analysis and analysis of competitor's strength and weakness have found relative benefit and future emphasis.

REFERENCE

Ahmad, K. (2014). The adoption of management accounting practices in Malaysian small and medium-sized enterprises. *Asian Social Science*, *10* (2), 236-249.

Ahmad, N.S.M. and Leftesi, A. (2014). An exploratory study of the level of sophistication of management accounting practices in Libyan manufacturing companies. *International Business Research, 2* (2), 1-10.

Alleyne, P. and Weekes-marshall, D. (2011). An exploratory study of management accounting practices in manufacturing companies in Barbados. *International Journal of Business and Social Science. 2* (9), 49-58.

Garrision, R.H.(1985). *Managerial Accounting*. Taxas. Business Publication Inc.

Haldma, T. and Laats, K. (2002). Contingencies influencing the management accounting practices of Estonian manufacturing companies, *Management Accounting Research,* 13(4), 379-400.

Horngren, C.T., Datar, S., Foster, G., Rajan, M., &. Ittner, C. (2009). *Cost Accounting: A Managerial Emphasis. 13th* edition, New Jersey, Upper Saddle River: Prentice Hall.

Hongreen, Datar and Foster (2003), *Cost Accounting and Managerial Emphasis*. New Delhi: Pearson Education (Singapore) Pvt. Ltd

Hongreen, C. T. Sundem, G.L., Stratton, W.O., (2004). Introduction *to Management Accounting:* New Delhi: Prentice Hall of India Pvt. Ltd.

Hussein, A. (2018). Adoption, importance and barriers to the implementation of contemporary management accounting practices: evidence from Egypt. *Accounting and Finance Research, 7*(1), 192-231.

Ismail, K. & Isa, C.R. (2011). The role of management accounting systems in advanced manufacturing environment. Australian Journal of Basic and Applied Sciences. 5(9), 2196-2209.

Kaplan, R. and Atkinson, A. (1998). *Advanced Management Accounting.* Harlow: .Pearson Education.

Otley, D. (1995). Management control, organizational design and accounting information systems, in Ashton, D., Hopper, T. and Scapens, R. (Eds), Issues in Management Accounting, Prentice-Hall, London.

Pavlatos, O. and Paggios, I. (2009). Management accounting practices in the Greek hospitality industry. *Managerial Auditing Journal, 24* (1), 81-98.

Shahzadi,S., Khan,R., Toor, M & Haq, A.(2018). Impact of external and internal factors on management accounting practices: a study of Pakistan, *Asian Journal of Accounting Research, 3*(2) 211-223.

Sharma, G. (2015). Practices of financial and management accounting: Evidence from small and medium-sized enterprises of Nepal. *The Journal of Nepalese Business Studies, 9* (1), 77-86.

Welsch, G.A. Hilton, R.W. and Gordon P. N. (1992). New Delhi: *Budgeting Profit Planning and Controlling:* Prentice Hall of India Pvt. Ltd,

Zainun Tuanmat, T. and Smith, M. (2011). Changes in management accounting practices in Malaysia, *Asian Review of Accounting*, 19 (3), 221-242.

Editorial Board

Review Process

Each research paper/article submitted to the journal is subject to the following reviewing process:

1. Each research paper/article will be initially evaluated by the editor to check the quality of the research article for the journal. The editor may make use of ithenticate/Viper software to examine the originality of research articles received.
2. The articles passed through screening at this level will be forwarded to two referees for blind peer review.
3. At this stage, two referees will carefully review the research article, each of whom will make a recommendation to publish the article in its present form/modify/reject.
4. The review process may take one/two months.
5. In case of acceptance of the article, journal reserves the right of making amendments in the final draft of the research paper to suit the journal's standard and requirement.

Categories

- Business Management
- Marketing
- Finance
- Insurance
- Human Resource & I.T.

Published by

Trans Asian Research Journals