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## AN IMPACT OF ARTIFICIAL INTELLIGENCE IN ONLINE MARKETING

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Dr. Rekha Darbar\*

### ABSTRACT

*Artificial intelligence (AI) is a burgeoning technology, industry, and field of study. AI is an exciting and rapidly evolving field that focuses on creating intelligent machines capable of performing tasks that would typically require human intelligence. These machines can analyze data, learn from it, reason, make decisions, and solve problems. AI is now being applied across numerous domains, computer vision, robotics, healthcare, finance, marketing and more. Some of the most well-known AI applications include virtual assistants like Siri and Alexa, Chat GPT, BARD, recommendation systems used by search assistant, streaming services, and self-driving cars. Overall, AI holds the potential to revolutionize industries, improve our lives, and drive innovation. As researchers and developers continue to push the boundaries of what's possible, AI will undoubtedly play an increasingly significant role in shaping our future. AI has an important role in digital marketing and will facilitate the creation of new business Opportunities. It is essential that businesses incorporate AI into their marketing strategies if they hope to remain competitive In summary, AI has transformed marketing by empowering businesses to deliver personalized experiences, optimize campaigns, and make data-driven decisions. As AI technology continues to advance, its role in marketing is likely to expand further, leading to even more efficient and effective strategies for businesses to connect with their customers. However, it's essential for marketers to use AI responsibly, ensuring transparency, ethical data practices, and maintaining a human touch in their interactions with customers.*

**KEYWORDS:** Artificial Intelligence (AI), Marketing, Digital Marketing.

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### Introduction

**Artificial Intelligence (AI)** is currently hot word in technology buzz. It refers to the simulation of human intelligence in machines that are programmed to think and act like humans. It is making a computer to think and act like human being. AI is accomplished by studying the patterns of the human brain and by analyzing the cognitive process. The outcome of these AI develops intelligent software and systems. Artificial Intelligence is a machine's ability to perform cognitive functions as humans do, such as perceiving, learning, reasoning, and solving problems. The benchmark for AI is the human level concerning in teams of reasoning, speech, and vision.

Nowadays, AI is used in almost all industries, giving a technological edge to all companies integrating AI at scale. According to McKinsey, AI has the potential to create 600 billion dollars of value in retail bring 50 per cent more incremental value in banking compared with other analytics techniques. In transport and logistics, the potential revenue jump is 89% more.

Concretely, if an organization uses AI for its marketing team, it can automate mundane and repetitive tasks, allowing the sales representative to focus on relationship building, lead nurturing, etc. A company named Gong provides a conversation intelligence service. Each time a Sales Representative makes a phone call, the machine records, transcribes and analyzes the chat. The VP can use AI analytics and recommendation to formulate a winning strategy.

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In a nutshell, AI provides cutting-edge technology to deal with complex data that a human being cannot handle. AI automates redundant jobs allowing a worker to focus on the high level, value-added tasks. When AI is implemented at scale, it leads to cost reduction and revenue increase.

AI is also ubiquitous in your daily online activities if you use SIRI, Google, email, Facebook, Alexa, Amazon, Instagram, Netflix, Pandora, and countless other technologies. We are dependent on such technologies. Yes, absolutely AI is everywhere

Marketing, especially Digital Marketing, would be the area that will have the most leverage of Artificial Intelligence. Businesses have begun to keep up with current patterns slowly but surely in the last year. The author believes it is still relatively minimal and could be used to a greater extent. Since 1959, Artificial Intelligence has been around but before it was seen as too expensive and risky to engage in from the perspective of a corporation. Recently, marketers have gotten up to-date, and businesses are slowly starting to notice the great advantages it can offer to the company.

AI also entered in digital marketing domain working in background. User gets better feeling of digital marketing in the field of pay per click advertisement, personalizing websites, creating content, predicting behavior and many more. Sellers have realized the advantages of this technology and many organizations are implementing and expanding the use of AI and machine learning. Organizations can use AI in two ways to enhance digital marketing. One is businesses use AI to forecast demand for product, develop customer profile at backend and other is to improve the customer experience, thereby strengthening the brand and making more sales (Sasikumar, 2022). AI technology can help to optimize and speed up many different marketing tasks, improving customer experiences and driving conversions. But many marketers still do not understand the benefits of AI over traditional marketing software. (Brenner, 2020)

#### **Literature Review**

In this paper the author has highlighted the role of AI in digital marketing to change consumer behavior. If AI is combined with digital marketing to make it easier for firms then it reaches the right customers at the right time. Artificial Intelligence helps the firms to get perception about the customer needs which boosts their sales and revenues. This paper also explain the challenges of AI in digital marketing also identifies the relevant tools and technologies which help marketer effectively implement the AI in digital marketing. (Khatri, 2021)

The author has explored the various application of artificial intelligence (AI) to social media and digital advertising professionals and agencies to specialize to an advanced degree and maintain collaboration and creativity to bring a better return on investment. Based on the literature review, the paper identifies the various AI applications in the field of digital media marketing. (Kiran Nair, 2021)

Chatbots are used not only for communication but also services provided by regulated profession such as doctors, lawyers, etc. Issues such as taxonomy, IPR, civil liability, consumer protection, cyber security, privacy and data protection, and other human rights issues are taken into consideration (Leaua&Didu, 2021).

#### **Research Objectives**

- To study the impact of Artificial Intelligence in Online Marketing
- Benefits of AI affecting on Online Marketing

#### **Research Methodology**

This methodology encompasses a comprehensive approach to achieving the research objectives by integrating qualitative data collection and analysis methods. Employ thematic analysis to analyze the various research papers and articles. Identify recurring themes and patterns related to the impact of AI and its influencing factors.

#### **Data Analysis**

- To study the impact of Artificial Intelligence in Online Marketing
- **Personalization:** AI enables marketers to analyze vast amounts of customer data, including preferences, behavior, and purchase history, to deliver highly personalized experiences. This personalization extends to targeted advertising, content recommendations, and tailored product suggestions, increasing the relevance of marketing efforts and enhancing customer satisfaction.

- **Customer Service:** AI-powered chatbots and virtual assistants have transformed customer service by providing instant responses to inquiries, 24/7. These AI-driven interactions can resolve common issues, answer questions, and guide customers through the buying process, all while saving time and resources for businesses.
- **Predictive Analytics:** AI algorithms can analyze historical data to identify patterns and trends, allowing marketers to make more accurate predictions about customer behavior, market trends, and campaign performance. This information empowers marketers to optimize their strategies and allocate resources more effectively.
- **Content Creation:** AI has ventured into content creation by generating automated, data-driven content like product descriptions, news articles, and personalized emails. While human creativity remains essential, AI-generated content can streamline repetitive tasks and free up marketers to focus on more strategic aspects.
- **Lead Scoring and Generation:** AI-powered lead scoring systems can assess the likelihood of a lead converting into a customer, helping sales teams prioritize their efforts. AI can also aid in lead generation by identifying potential customers based on their online activities and behavior.
- **Social Media Management:** AI tools can monitor social media platforms for brand mentions, sentiment analysis, and even automate responses. This enables marketers to engage with their audience more efficiently and address issues promptly.
- **Search Engine Optimization (SEO):** AI algorithms, particularly those used by search engines like Google, play a significant role in SEO. Understanding how AI influences search rankings and incorporating AI-friendly SEO strategies is crucial for marketers to maintain online visibility.
- **Marketing Automation:** AI has facilitated sophisticated marketing automation, allowing marketers to create and manage personalized customer journeys across multiple channels. Automation streamlines repetitive tasks, reduces manual errors, and ensures consistent messaging.
- **Competitive Analysis:** AI tools can analyze competitors' strategies, pricing, and marketing efforts, providing valuable insights to help businesses stay competitive and adjust their own tactics accordingly.
- **Fraud Detection and Prevention:** In digital marketing, AI can detect and prevent fraudulent activities such as click fraud or fake social media accounts, protecting ad budgets and ensuring accurate performance metrics.

#### **Benefits of AI Affecting on Online Marketing**

One of the main benefit of AI In online marketing is Machine Learning and Continues Learning, so computer access the data by itself. AI benefits to lower costs and higher revenues. AI delivers benefits on acceleration, faster results, accuracy, better results and relief, reducing tasks that it is not essential for people to do more because it is not a good use of their time. Machine learning can identify and solve certain problems faster than humans. Machines can do work better in much larger scale. A human can try to read 10,000 social networking posts in five minutes, but certainly won't do it. The machine can reduce and remove repetitive or unimportant tasks from marketers' lives, for example, a report by a marketer that would last about eight hours can be done by a machine in eight minutes. This way you can reduce repetitive task costs and direct marketers to tasks that are more about creativity, strategy, and decision making. AI's main advantages in Marketing are: sales development through customization, greater process effectiveness and greater efficiency in marketing investment allocation. Marketers do not need to focus on segmentation, behavioral analysis, consumer journeys. AI will "filter out" huge volumes of data and feed insights that can effectively make a difference to the business AI's integration into marketing produces benefits for consumers (relevance, convenience, consumer experience) and enterprise/marketers (predicting consumer behavior, anticipating consumer trends, hyper-personalizing content). At the operational level, AI offers the opportunity, through process automation and optimization, to increase the efficiency and effectiveness of company strategy and the quality of work of people. AI enables the marketing team to deliver a personalized user experience without being overly intrusive. Artificial Intelligence already enables marketers to optimize websites by customizing them for different users, for example by offering them personalized messages and distinctive designs based on their profile and needs. AI will enable organizations across all industries the ability to rebuild personal relationships

with their customers. Data provides powerful insight into customers' current needs as well as valuable information about their future needs. For most marketers, AI does not change the level of marketing spend. It simply improves the performance of marketing efforts. It enables marketers to be more efficient, it also allows brands to be more selective about the content they reproduce, helping them prioritize content that is most valuable to their visitors. Most companies maintain the same volume and marketing expenses but increase the accuracy of their marketing efforts by being more targeted, faster and more effective, thereby delivering better results

### Suggestions

In application of AI the company should think about how to turn its artificial intelligence strategy into reality. Companies need to understand how AI services to be delivered. Those responsible for each actions/project that will need external support too. Companies should consider what technology is required to achieve their AI priorities. Companies should understand and define whether it is best for their business objectives, to have an AI team within their own company, or whether will use solutions designed by other companies, AI online marketing strategies should be according to company's business goals and strategies. Once the company's business and communication strategy are clear, the best use cases should be identified to help the company achieve its objectives. That is, what are the problems the company wants to solve that with the help of AI can help achieve the company's strategic goals.

### Conclusion

The research paper concludes by emphasizing the transformative impact of AI on online marketing. It underscores the significance of AI in driving customer-centric marketing strategies, enhancing brand experiences, and achieving sustainable business growth.

AI has transformed marketing by empowering businesses to deliver personalized experiences, optimize campaigns, and make data-driven decisions. As AI technology continues to advance, its role in marketing is likely to expand further, leading to even more efficient and effective strategies for businesses to connect with their customers. However, it's essential for marketers to use AI responsibly, ensuring transparency, ethical data practices, and maintaining a human touch in their interactions with customers. By synthesizing existing research and providing valuable recommendations, this paper aims to equip businesses with essential knowledge and insights to effectively harness the power of AI in their online marketing efforts.

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## A STUDY ON IMPACT OF IMPLEMENTING HR SOFTWARE SYSTEM IN CORPORATES

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Dr. Manyata Mehra\*

### ABSTRACT

*This review paper appraises the Impact of Implementing HR Software Systems in Corporates and appreciates how technology in alliance with HR industry is paving the way to more efficient and seamless business process. The paper identifies that with the advancements in technology, expectations from Hr professional has also increased manifold. Beside managing HR processes, HR professionals are now expected to track activities and improve the productivity as well. **HRSOFTWARES** makes it conceivable for HR staff and chiefs to more readily assign their time and assets to additional useful and productive endeavours. Hr software is the empowering tool for the HRs where every HR function is monitored through advanced analytics. HR software helps an association's HR office via automating manual assignments, keeping employee data organized and making information driven reports. This is undeniably done electronically, wiping out the requirement for paper documents. HR software can likewise serve employees and administrators inside an association helping with responsibility of performance management. There is presently an HR software answer for each size and type of association.*

**KEYWORDS:** HR Softwares, Technology, HR Staff, Advancements.

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### Introduction

HR software is a digital key for handling and streamlining the day-to-day HR undertakings and by and large HR objectives of an association. HR software makes it conceivable for HR staff and chiefs to more readily assign their time and assets to additional useful and productive endeavours. HR software innovation has made some amazing progress starting from when PCs first were utilized to oversee human resources information during the 1970s. HR systems turned out to be all the more broadly accessible to big business clients during the 1980s, and the appearance of web-based software during the 1990s made HR software even more common. Presently, most new systems are cloud-based, subscription-based, easily incorporated with other data management programs, and highly customizable to an individual organization's needs, objectives and budget. So, there is presently an HR software answer for each size and type of association.

### Objectives

- To study the human resource industry is a testament to how technology plays a significant role in levelling the workforce and connecting employers with their employees.
- To recognize how app development, machine learning, artificial intelligence, and blockchain partnerships between HR professionals and technology to accomplish critical HR tasks.

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### Functions of HR Software

HR software helps an association's HR office via automating manual assignments, keeping employee data organized and making information driven reports. This is undeniably done electronically, wiping out the requirement for paper documents. HR software can likewise serve employees and administrators inside an association, helping with responsibilities like time tracking, updating worker catalogues, and performance management.

A portion of the functions HR software can perform include:

- Securely storing and organizing employee data
- Creating workflows and tracking approvals
- Self-service time tracking
- Tracking employee training for development and compliance
- Gauging and reporting on employee satisfaction
- Performance management and goal tracking
- Benefits administration and management
- Pre-boarding, onboarding, and offboarding automation
- Third-party application integrations
- Monitoring all data changes with an audit trail
- Producing custom reports to give key knowledge

### Evolution of HR Technology

Human Resources is constantly improving along with its workforce. The digital revolution has brought innovative technologies that industries use to find, recruit, train, support, and retain talent. Human Resources is moving from traditional business methods to HR software development services to work faster, more efficiently, and achieve organizational goals.

Over the past ten years, technology has significantly impacted the HR space. This has allowed for the improvement of various HR functions in many industries. The evolution of HR technologies has come a long way: from manual input to human resource management software development, which is easy to use and automates many HR tasks. I will discuss the entire chain of HR technology evolution which will reflect why this direction is so relevant in the 21st century.

- **Fast Advancement of HR Innovation**

The essential capability of HR is a human connection in business. Conventionally, the job of HR has been viewed as a managerial, non-imaginative and paper-based job that fundamentally comprises of authoritative design the executives and complex enlistment choices. However, with the appearance of HR programming improvement arrangements, Artificial intelligence, the Web, and different advancements, HR capabilities have moved to aiding associations. Innovation has decreased manual work, computerizing managerial exercises, in this manner leaving more time to focus on different productive parts of HR.

- **Development of HR Innovation in Various Fields**

HR innovation has revolutionized numerous businesses. With HR advancements, enlistment, solicitation, and resume the executives, constant employee performance monitoring, and substantially more have been moved along. Innovation has been a main thrust in the improvement of the HR business, where everything was finished manually. The following are the regions where the presentation of HR advances has become strikingly effective.

- **App Evolution**

Beforehand, the application business was centred only around design, magnificence, sports, and games. HR processes, principally manual and tedious, urged software engineers to foster products that make life simpler for these representatives. Hr programming advancement administrations are making ability the board more straightforward for quite a long time. In light of its own insight, an HR programming advancement organization has demonstrated that putting resources into a HR stage and

versatile applications to attract talent is considerably more productive and savvy than doing these undertakings physically. One can land job candidate tracking frameworks, finance applications, pursuit of employment frameworks, and worker commitment stages with HR programming advancement administrations. The HR application market will undoubtedly develop, and this present time is the best opportunity to bounce on that cart and push the business up.

- **HR Procedure**

HR experts should process onboarding up-and-comers, track representative performance, and cycle work postings, cost claims, and get-away demands for both office and telecommuters. In this way, involving innovation in the framework cycle makes these errands more straightforward, less tedious, and ensures error free outcomes. With the assistance of computerization of personal processes, one can rapidly follow changes in representative work, subsequently expanding the ideal opportunity for additional critical assignments.

### Scope of HR Software

- **Data Analytics**

High level information analytics is the most recent development in HR innovation. This advancement permits HR experts to handle extensive employee data without wasting time. Progressive examination pioneers investigate different datasets with man-made brainpower to follow basic measurements. The product gives HR to catch representative information right from joining to leaving the enterprise. Likewise, this innovation gives HR pioneers significant experiences in seconds that they can apply in different regions, for example, recruiting, maintenance, commitment, expertise improvement, and variety.

- **Among the primary elements of data analytics, specialists recognize**

- AI is being utilized to expand information readiness, profiling, and more.
- Builds the precision of tracking down ability with the expected capabilities and experience.
- Gives noteworthy data to HR by uniting worker information.
- Permits you to dissect the experience of workers utilizing their information.
- Makes sense of recent trends in an association without breaking down dashboards or spreadsheets.

### Virtual Specialists

Organizations are continuously searching for ability, and workers must be enrolled proficiently, effectively, and orderly. While mechanization and artificial intelligence permit HR experts to rapidly explore many resumes, virtual specialists assist with planning interviews and lead them. The HR business has moved from a manual employing interaction to a more computerized one, saving time.

Among the primary elements of virtual specialists are:

- Gives the candidate precise and instant answers rapidly.
- Reliable correspondence with every individual without manual association.
- Increases credibility by gathering testimonials about competitors.
- Gives knowledge into candidates ways of behaving through video interviews.
- Further develops employee retention by making a steady involvement in HR department.

### Blockchain

Blockchain innovation permits associations to interface with providers, contractors, and outsider merchants. This innovation gives admittance to data while shielding information from unapproved use.

Among the elements of the blockchain, specialists call attention to the following:

- Production of savvy contracts for provisional or contractual work, permitting the programmed arrival of payments.
- Employee records, like execution or wellbeing history, can be encoded and sent in the tokenized structure if necessary.
- Blockchain gives consistence and guideline that keeps workers in charge of their information.
- Blockchain empowers secure payment processes without go-betweens like banks.

### **Impact of Liaisoning between Technology and Human Resource: Benefits of HR Software**

While there are many advantages of utilizing HR programming, one of the greatest is its capacity to decrease the time spent on tedious, low-influence authoritative errands, which permits HR experts to focus on more useful obligations and longer-term key results.

Past this, other significant advantages include:

- Diminished mistakes
- Improved organization of reports and representative information
- Smoothed out processes
- Consistent input
- More precise examination
- Enhancements in succession planning
- Keeping organisations agreeable with government guidelines

Current organizations recognize the following benefits of HR advances in the work force process:

- Making visual dashboards and reports to accelerate direction.
- Synchronizing information with Programming interface combination.
- Multi-channel access for simple access to data.
- Automating alarms to follow employee undertakings.

HR programming advancement is effectively developing and offers the best answers for organizations that need to computerize work processes and take their business to another level.

### **Implementation of an HR Framework**

*There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things.*

- Niccolo Machiavelli

HR directors face expanding requests of their time-usage abilities, enlistment procedures and human administration capacities in the present competitive work environment. HR divisions are charged of not just keeping wonderful records and following steadily developing government and industry guidelines yet in addition with adding to and supporting business goals through recruitment and inspiration.

- Globalization of business adds its own cerebral pains in overseeing unfamiliar deals, distant workforces and numerous guidelines in numerous locales. Executing the right HR data situation, or HRIS, to robotize and work with business processes turns out to be critical to the accomplishment for all organizations whether they're little or huge.
- Posing the right inquiries prior to choosing a form of HR software is basic. Picking the right programming, seller and innovation turns out to be a lot more straightforward when one characterizes clear targets, and carrying out any arrangement becomes smoother with less pain points.
- Tragically, an excessive number of chiefs neglect to pose the right inquiries prior to executing HR programming, which brings about purchasing frameworks pretty much high level than you truly need and experiencing temporary issues of oppressive extents.

### **A Guide to the Best HR Software**

The best HR programming relies upon your organization's exceptional requirements and objectives, as the product answers for each might change.

### **Types of HR Programming**

A few kinds of HR programming that might be useful to your association arrive at its objectives are those that oversee candidate following and onboarding, execution, and representative commitment.

- Human Resource Information Systems (HRIS): A HRIS plays the core information the board job required for various HR works, for example, enlisting and following candidates, stockpile worker

information, overseeing finance and advantages, keeping up with administrative and legitimate necessities, and so on. An HRIS can be independent programming intended to coordinate with other HR applications, or it could be the focal data set in an across the board HR programming framework.

- Applicant Tracking System (ATS): An ATS is recruiting programming that smoothes out the employing system for an association from start to finish. It commonly handles undertakings, for example, presenting employment opportunities on various job boards, stockpile candidate information, and evaluating applications for potential matches.
- Onboarding: Onboarding software smoothes out and follow the method involved with acquainting new workers with an association. It frequently incorporates components like electronic marks, pre-boarding bundles, training tracking, representative polls, and other mechanized capabilities to assist HR with guaranteeing they are giving a consistent, smooth onboarding experience for new workers.
- Performance Management: A stage for HR experts, supervisors, and representatives to survey worker abilities, put forth execution objectives, and track improvement.
- Employee Engagement: Further develops worker feeling and increment individual and team commitment. This is accomplished through regular work needs, input, instructing, and analytics.

### 5 Moves toward Fruitful HR Framework Execution

A guide to an effective HR programming undertaking ought to focus on the accompanying stages.

- **Grasping Vital Needs**

Understanding your essential business needs is a basic initial step prior to picking HR programming. It's not difficult to become involved with invigorating programming abilities, robotization of tedious undertakings and the management capacities that could change your recruiting efforts.

- **Assessing the Merchants**

There are large number of sellers, highlights and delivery models. The inquiries one pose to will assist with identifying an accomplice of best fit.

- **Arranging the HR Execution Project**

What programming is carried out mean for the business, consume assets and produce more extensive ramifications like short interferences of business. The technique one use additionally relies upon which kind of programming one has picked. Indeed, even the easiest decisions, for example, picking a service provider and designing everything yourself-could produce startling pain points.

- **Executing the Venture**

The guide to a fruitful progress should make progress that incorporates overseeing the undertaking and overseeing the capabilities. It's ill advised to run the undertaking and the HR division independently, so it's critical to anticipate HR staff taking extended jobs during the execution and incorporation processes

- **Going Live**

Initial impressions are significant, which is the reason it's basic to decrease usefulness and give adequate assets to produce an effective launch of the new programming. One could pick a significant organization occasion, anniversary, new working year or new HR process as the beginning stage for going live with the new framework. The greater the distinction the new programming will make after the launch, the better the occasion will be for producing good post-execution buzz.

### Conclusion

Regardless of how helpful or well-known a given programming arrangement might be for different organizations, the genuine test is the means by which the product works for your particular business needs. Undeniably most recent HR virtual products includes a typical point of interaction "look and feel" across applications, making learning and changes for clients simpler. It utilizes coordinated information and innovative framework, decreasing the need to deal with various mechanical models. It appropriately gives more noteworthy simplicity of coordinating information from different HR capabilities. It additionally decreases the complexity of vendor management, since there is just a single seller. It fosters a "best fit" answer for each practical region. However, above all, the outcome of a HR framework process relies upon the information accessible and core criteria in characterizing one's business needs.

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## EXPLORING THE LINKAGE BETWEEN HRM AND EMPLOYEE BEHAVIOR: THE MEDIATION AND MEDIATOR MODEL

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### ABSTRACT

*This research paper delves into the relationship between human resource management and employee behavior, aiming to shed light on the mediating role of leadership styles with reference to Technology and Innovation as a Moderator. With the Objective of understanding the relationship, this study employed, a Mediating & Moderating Variable Model, Combining the Systematic literature reviews, Articles, Journals and Reseach papers. The First Segment of the research paper focuses on the significance of different leadership styles such as Transformational, Transactional and Laissez- faire Leadership on the relationship of Human Resource Management and Employee Behavior, additionally it highlights the effect of Technology and Innovation as a moderator variable. Furthermore, the research creates a model to enhance the employee's productivity towards organization. In conclusion, the research paper provides valuable insights into human resource management practices through different leadership styles with combined influence of technology and innovation on employee behavior. The findings offer practical implication for business leaders, HR Professional's to optimize Human Resource Management Practices and Leadership style in constantly changing world.*

**KEYWORDS:** Human Resource Management, Employee Behavior, Leadership Styles, Technology, Innovation.

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### Introduction

In the modern corporate outlook, the importance of human resource management has grown rapidly, acknowledging that human resources are the most beneficial asset of the organization. An Effective, well-organized and flexible HRM approach is necessary to encourage a booming and developing workplace culture among employees which will ride organization success.

According to Storey, (1995) HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques.

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One of the most important aspects of HRM lies in recognizing and understanding employee behavior which shapes the substructure of an effective work environment. Employee behavior refers to the actions, attitudes, and response of an employee to a particular situation in the organization. It encircles a variety of factors moving over wide areas from work ethics and job satisfaction to employee responsibility, productivity and teamwork. In simple terms, Employee behavior is the response or action of employee towards a definitive work situation. It is influenced by a variety of factors like individual beliefs, traits, leadership styles, organization culture, policies and practices. There are particularly two types of employee behavior one is Positive behavior, and another is Negative behavior. Positive behavior includes Teamwork, Productivity, Adaptability, Accountability, Professionalism, Ethics and Integrity which contributes to higher employee engagement. On the other hand, Negative employee behavior includes low motivation, unethical behavior, poor attitude, resistance to change, Absenteeism and Tardiness towards work which leads to high turnover rates and unsubstantial performance. Therefore, an effective and powerful human resource management approach is required in shaping employee behavior positively. The relationship exists between HRM and Employee behavior is conclusive and factual as it positively influences Employee behavior such as through recruitment & selection, training & development, work-life balance & well-being, open communication between management and employees and by effectively handling employee relations and conflict resolutions. Now there are many factors which influence the relationship of human resource management and employee behavior. One of the two important factors is Leadership Style & Technology and Development. In human resource management, leadership style plays a very important role as a mediating variable as it acts as an intermediary that explains how HRM practices impact employee behavior. It is an approach or method adopted by a leader to provide direction and motivation to others for the accomplishment of organization goals and well-being of their team and Similarly Technology and Innovation plays crucial role as a moderator variable that shows how it affects or influence the relationship of human resource management and employee behavior.

### **Review of Literature**

Daan van Knippenberg & Sim B. Sitkin (2013) examine the critical assessment of charismatic – transformational leadership research. Leadership is the major issue in organizations. This paper shed light on the two styles of leadership, charismatic and transformational leadership style and their impact on employee's work and their productivity. The study questions the conceptual definition of charismatic- transformational leadership is lacking. secondary, how different dimensions combine to form leadership style and how it is selected for inclusion or exclusion. It concludes that transformational leadership style is more effective for better employee behavior towards organization performance.

J. Arrowsmith & J. Parker (2013) analyzed the meaning of employee engagement for the values and roles of the HRM function. Employee Engagement refers to the functional relationship of an organization to its employee. It basically deals with the employee level of dedication and motivation towards work performance. The paper provides that the effective engagement initiatives are required on the part of HR as employee engagement became the important part of HR practitioners and secondly, it focuses on the importance of HR basics like better requirement selection and to match the workers and managers roles.

Khalil Ghazzawi et al. (2014) examined the effect of implementing technology in HRM on the level of employee motivation. Implementing technology in HRM practices is called E-HRM. Electronic human resource management mainly focuses on the adoption and usage of web-based channels to reduce costs and to increase productivity and motivation among employees. The aim of this paper is to examine the E-HRM practices' effect on the employee motivation and provide them with the right direction for business application. For this study both primary and secondary data are used. Sample is collected from 162 staff members and Cronbach alpha test was applied. The study concludes that there is a positive and strong effect of technology on employee motivation. Introducing E-HRM will enhance employee productivity as it leads to understanding the behavior of employees which enhances overall organization success.

P. Sivapragasam and R.P. Raya (2017) analyzed the HRM and Employee Engagement link with the mediating role of Employee Well-being. This study is carried out on 626 knowledge professionals working in IT companies in Chennai City of the Indian state of Tamil Nadu. For this



study cross sectional design and descriptive is used. It basically shed light on the importance of human resource management with organizational performance. With the help of social exchange theory and self-determination theory, it explains how employee well-being and individual employee attitudes are important for employee engagement through HRM.

Leroy, H., Segers et al. (2018) analyzed the study of leadership and Human resource management with a common goal of managing people effectively in the organization. This paper put light on how leadership and human resource management codetermine employee motivation and their performance. The study provides seven different ways in which HRM, and leadership interact with personal environment fit and HR strategic HR alignment that are independent, Enactment, Supplementary Fit, Synergistic Fit, Complementary Fit, Perceptual Filter and Dynamic Fit. Hence Leadership styles and HRM shared a common base on effectively managing employees in the organization.

Andres Salas-Vallina et al. (2020) examined how human resource management practices and leadership work together towards increasing employees' well-being and performance. This study focuses on the moderating role of leadership in relation to well-being oriented human resource management and performance. For this study, quantitative survey was conducted, and data is collected from employees and line managers in Spain. The results show that leadership is the major contributor to the influence on HRM and employee well-being. Secondly, involving leadership contributes to job resources by satisfying the basic physiological needs of the employees.

Usama Najam et al (2020) analyzed the link between human resource management practice and customer satisfaction through innerving role of employee job satisfaction. The study follows the cross-sectional research design, and the data was collected from paramedical staff members and ask them to rate the HR practices followed & their job satisfaction. The study concludes that human resource management practices affect job satisfaction among employees and moderated regression analysis proves that there is a significant effect of procedural justice between HRM practice and job satisfaction. Human Resource Management practices should be improved for the employees' well-being and to create satisfaction among them.

Kavyashree, MB et al. (2022) examined the relationship between human resource management and Employee Engagement considering employees working in HR department. For this purpose, the data has been collected among 345 employees working in the HR department of different private sector organizations. Now a days the biggest challenge is managing employees and retaining them. So, this study provides valuable insights on the importance of human resource management practices on employee engagement for organization success. For understanding the relationship between HRM and Employee engagement, structural equation modelling is used. The HRM practices must be on the priority list of the organization for enhancing employee engagement, which leads to an increase in employee productivity and job satisfaction.

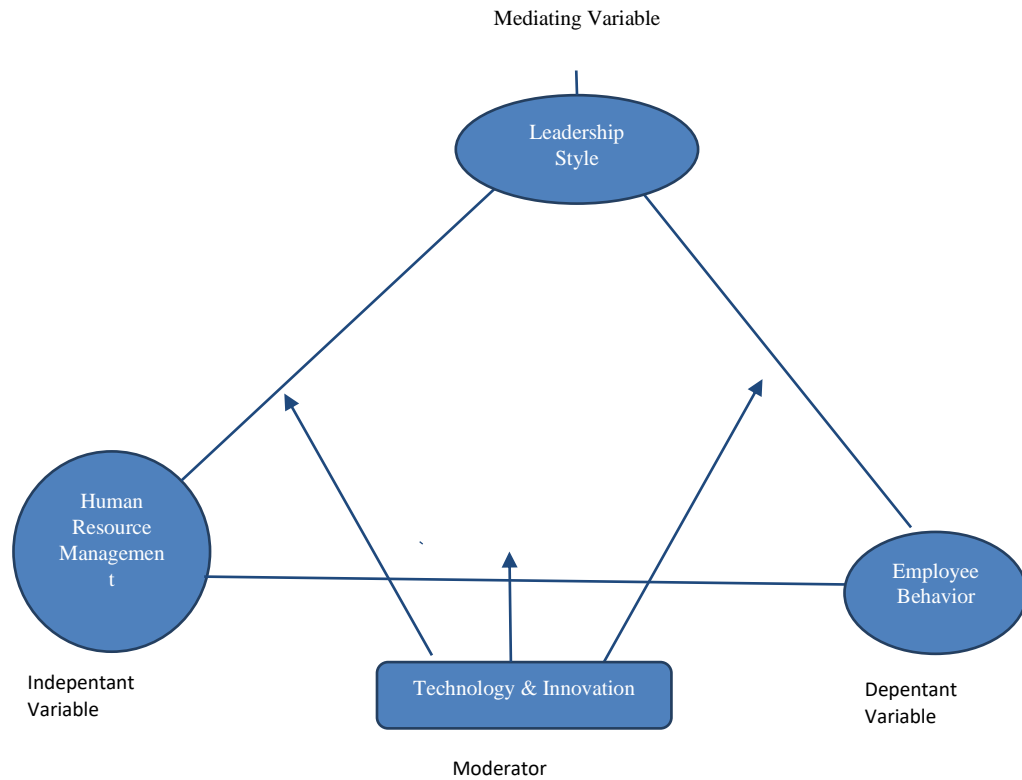
#### **Objectives of the Study**

- To Examine the underlying mechanism of the linkage between human resource management and employee behavior.
- Aims to study how different leadership styles act as a mediating variable between HRM practices and Employee behavior.
- To investigate and understand the role of technology and innovation, as a moderator fostering a sustainable work culture for employees.
- Aims is to offer valuable insight through research models to enhance employee productivity and engagement through human resource management practices.

#### **Reserach Methodology**

The information in this paper is drawn from Secondary sources to address research objectives effectively. Secondary sources envelop journals, articles, websites, literature that are relevant to subject matter. With the aim of achieving research objectives and understanding the linkage between human resource management and employee behavior, a mediating and moderator variable model is also employed with leadership style as a mediating and technology and innovation as a moderator variable.

**Research Model**



**Role of Leadership Style as a Mediator**

Mediation in this frame refers to the process through which the relationship between two variables (HRM and Employee Behavior) is explained by the mediating variable (Leadership Style), it basically shows up the connection between independent and dependent variable. The mediating role of leadership style is a very important aspect of management research. Common leadership style includes transformational, transactional, laissez-faire leadership. Transformational leadership mainly focuses on employee development, promotes positive work culture and encourages open communication between management and employees. They mainly have a positive impact on employee behavior which leads to job satisfaction and commitment among employees. Under transactional leadership, the relationship between HRM Practices and employee behavior is based on the structure of rewards and punishment and employees are only motivated to achieve targets and receive rewards, where motivation is not intrinsic but extrinsically driven. On the other hand, laissez-faire leadership which is also known as Hands Off Approach puts a negative impact on HRM practices & employee behavior due to lack of direction and active leadership.

**Mediation Process**

- **HRM Practices:** Employee behavior: Human Resource Management has a direct influence on employee behavior by providing positive work culture, adequate training, motivation and scaling employee individual goals with organization goals.
- **HRM Practices:** Leadership Style: Human resource management practices outline the leadership style of managers. For instance, if the organization promotes the participative decision making of employees, then adoption of transformational leadership style is more.
- **Leadership Style:** Employee behavior: leadership style has a convincing effect on employee behavior as different styles leads to different level of motivation and satisfaction among employees.

### **Role of Technology and Innovation as a Moderator**

According to "Pamela S. King ", 'Moderator variable is a qualitative or quantitative variable that affects the direction and/or strength of the relationship between an independent variable and dependent variable'

The role of Technology and innovation as a moderator has an influential effect on HRM and Employee behavior. It helps in shaping the relationship of HRM & Employee behavior in the modern workplace like technology offers e-learning platforms and training sessions that empower employee to upskills and to show positive behavior when they feel organization invest in their professional growth. In Data-Driven Decision Making, innovative HR analytics tools that allow to collect pack of data related to employee productivity and behavior. It helps human resource management to analyze arrangements, trends, issues and addresses them to targeted goals for increasing employee engagement and behavior also technology support HRM in monitoring employee ethical behavior through clear communication and e-tools which promote transparency and accountability among employees. However, the integration of technology and innovation should be handled carefully as over-dependence on technology without involving human resource may lead to a disconnect between HRM and Employee's which results in negative behavior and dissatisfaction.

No doubt technology and innovation provide numerous benefits, but they also have negative impact on the relationship of human resource management and employee behavior. Like technology provides various tools for employee data collection but sometimes employees feel uncomfortable and threatened by this level of surveyance which leads to stress and decreased trust among employees also it creates a sense of job insecurity among employees because of the automation and innovated AI Tools which develop fear of job replacement by machines which has a direct negative impact on employee behavior and productivity. So, to minimize these negative effects, an organization should knock a balanced approach between technology driven HRM practices and sustaining a human-centered approach to provide valuable insights into employee productivity.

### **Findings**

The research finding confirmed that human resource management practices have a strong relationship with Employee behavior. Effective HRM practices strongly influence employee behavior. Secondly, leadership style emerged as a important mediating factor between HRM and employee behavior. Different leadership styles influence this relationship in different ways like transformational style put a positive effect on HRM & employee behavior on other hand laissez-faire style has a negative impact on HRM and employee engagement. Whereas technology and innovation act as moderator variables which influences the linkage of HRM and Employee behavior. Organizations that integrated technology and innovation among employees enjoy greater motivation and job satisfaction among employees. Although technology serve as a beneficiary, but it also possesses certain negative traits like a sense of job insecurity creates among employees due to the adoption of new innovated AI tools by organization which develop fear of losing job and decrease the work morale of employees. So, there should be a balanced approach followed by firms and organizations to minimize all the negative traits associated with moderator variable. Hence human resource management directly supports employee behavior with leadership style as a mediator and technology and innovation as a moderator.

### **Conclusion**

To conclude, this study contributes to the ever-growing literature examine the linkage of human resource management and employee behavior with the outcomes of leadership style as a mediator and technology and innovation as a moderator. Drawing upon the Mediating and moderator variable research model, this study brought out the importance of different leadership styles and their mediating relationship to HRM & Employee behavior. The use of such approaches enhances employee behavior and productivity. Technology and innovation work as moderator to HRM & Employee behavior in the organization fostering sustainable work culture but due to presence of negative traits, an organization should always follow balanced approach between technology and innovation adaption and HRM practices to promote high motivation and job satisfaction among employees. Further the results provide managers with valuable and right direction for the adoption of appropriate leadership style for enduring employee productivity. All these results lead to organizational success.

### Implication for Practice

Based on the Conclusion drawn, organization should focus on the positive leadership style that aligns with human resource management and aimed at enhancing employee behavior. Investing in technology and innovation within human resource processes helps in empowering employee engagement and building of positive and high motivated behavior which ultimately leads to organization success.

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## ROLE OF MICROFINANCE IN PROMOTING RURAL DEVELOPMENT

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### ABSTRACT

*Microfinance refers to the provisions of financial services, such as small loans, saving accounts, insurance and other financial products to low-income individuals, usually in rural or underserved areas, who typically lack access to traditional banking services. The aim of microfinance is to empower and support these economically disadvantaged individuals by helping them to build financial stability, create income-generating activities and improve their overall quality of life. This paper aims to shed the light on the role of microfinance in context of rural development. The objective of the paper is to study the role of microfinance in the social upliftment and role of SHGs in women empowerment. The paper explores the multifaceted impact of microfinance on rural development, by highlighting its contribution towards poverty alleviation, women empowerment, agricultural development and overall economic growth. By enabling access to credit, savings, insurance and other financial services, MFIs empowers rural communities to overcome financial barriers, invest in income-generating activities, improve livelihood and foster sustainable development.*

**KEYWORDS:** *Microfinance, Self-Help Group, Women Empowerment, Poverty Alleviation, Social upliftment.*

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### Introduction

Rural areas often face unique challenges due to limited access to financial services, resulting in restricted economic growth and development opportunities. Rural development is important for achieving sustainable economic and social growth and poverty reduction. Therefore, microfinance is only a viable solution, aims to provide inclusive financial services tailored to the needs of rural populations, enabling them to create and expand small businesses, increasing agricultural productivity and enhance overall living standard.

Microfinance refers to the provision of financial services, that offer services like loans, savings, insurance services and financial advice to both the individual and small enterprises who do not have any access to financial services. The main objective of microfinance is to provide financial services to encourage entrepreneur in impoverished nations to act on other ideas and become self-sustainable.

In 1983, Muhammad Yunus, a Bangladeshi Social Entrepreneur established the Grameen Bank in Bangladesh. The goal of the bank was to provide small loans to the entrepreneur by visiting the women who made Bamboo stools in Bangladesh making 2 cents a day. He decided that if the women were able to fall back on a loan, they would be able to improve their margin and gain a substantial profit.

In India, Microfinance was started in 1970 with the formation of Self-Employed Women Association (SEWA) in Gujarat as Cooperative Banked called Shri Mahila SEWA Sahakari Bank. The main aim of this bank was to provide banking and financial services to both the poor and weaker women involved in an unorganised sector in Gujarat.

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Microfinance institutions eradicate poverty by providing banking services to the poor people to become more stable. By bringing the marginalised section of the society into the main stream through provision of financial services like credit and savings in the most effective way for the rural development.

As per RBI on January 2022, there are 97 Non-Banking Financial Companies to run microfinance institutions. Chennai, New Delhi and Mumbai had been the metropolises with utmost NBFC-MFIS. It enables individuals or small business from poor strata of the society to lend money. Beside their economy outlook, they also support societal upliftment and autonomy.

### **Review of Literature**

S C Vertrivel, S. Chandra Kumarmangalam (2010) made research on the role of microfinance institutions in rural development. The microfinance offers a promising institutional structure to provide credit to the poor and reach the vast majority of potential customers who demands credit at market rates. The informal intermediaries have small saving group members and do not attract high returns, but it is still practiced due to security reasons and getting loans at reasonable rates as compared to money lenders. The researcher concluded that the microfinance can contribute to problem solving of inadequate services as an integral part of poverty alleviation programs.

Rajesh K. Yadav (2014) made research on the significance of microfinance institutions in rural development of India. Self-Help Group is an unofficial group consists of around 10-20 members. The group members must be from the same social economic layer and work on the basis of equal participation and contribution from all members. The main objective of the group is to provide credit and saving facilities to the members. SHGs for themselves enabling them to have greater autonomy in financial decision making as well as wider social participation. The researcher concluded that microfinance plays an important role in increasing women's participation in economic activities and decision making. It is necessary to improve the credit worthiness of the poor and allow them to meet the criteria for the long-term credit from the formal sector.

Dr. Md Shahnawaz (2017) made research on Role of Microfinance Institutions in Rural Development in India. The key objective of the study was to find out the impact and importance of rural development in India. It was observed that microfinance brings effective change in the society with policies and practices. Microfinance grabs its strength through the formation of Self-Help Group made in 1980 by providing credit and saving facilities. The SHGs plays a vital role in empowering women by providing them with access to financial resources, fostering economic independence and enabling social and personal growth. The collective strength of these groups empowers women to transform their lives, break gender barriers and contribute to the development of their communities.

Dr. Roopali Patil, Dr. Vani Kamath (2017) made a study on the impact of microfinance on rural development (with special reference to Gulbarga Division of Karnataka State). The key objective of the study was to know the impact of microfinance services on rural development and its need in the Gulbarga Division. The sample size for the study was 485 respondents irrespective of age, education and level of income. The researcher used questionnaire and applied Chi-square test to prove the relationship between microfinancial services initiatives and rural development. The researcher concluded that microfinance activities not only play an important role in improvement of living standards of people in economic terms but also in social term.

Dr. L.S. Bansal (2020) made research on Microfinance and its impact on rural development: A study. Microfinance is a way to promote economic development and helps to create new employment and supports small businesses to grow. The key objective of the study was to know the relationship between microfinance and rural development and impact of microfinance on it. The sample size for the study was 192 respondents of Morena district Madhya Pradesh, linear regression analysis was used to know the relationship between them. The researcher concluded that microfinance help poor people of the society to change their living standard up to the satisfactory level and also helps to create new employment through setup new small-scale businesses.

Dr. Jagannatha (2020) made a study on the performance of microfinance with respect to SHGs in Karnataka. The key objective of the study was to check the progress of SHGs formation, number of women's in SHGs and SHGs savings with bank in the state of Karnataka. The data was collected from the secondary sources such as published reports of Apex Bank, NABARD, research articles related to microfinance. It is depicted that the terms of bank loan outstanding against SHGs out of total SHGs-loan outstanding under government schemes, Karnataka Bank stands highest outstanding loan of Rs.338.20

lakhs and 18,776.81 lakhs. The researcher concluded that the progress of women's in SHGs in Karnataka is commendable from year to year and have identified SHGs as a way to alleviate poverty and women empowerment.

Dr. R. Vijayatakshni (2021) made research on the Role of Microfinance in Rural Development. The key objective of the study was to know the concept of microfinance and its role in rural development in India and to study the models of microfinance in India. Microfinance not only act as a tool to alleviate poverty from the country but bring social change which especially uplifts the status of women in our country, therefore, they become self-reliance. It plays an important role in the development of India by providing the financial services such as saving account, insurance services, and credit facilities to both poor and low-income people. The study depicts that microfinance act as an integral part of the poverty alleviation programmes and women empowerment in the society.

Deepu Kumar, made research on the role of microfinance institutions in rural development. Microfinance provide loans to the poorer section at the cheaper and reasonable rate which help them to start up with a new business and help them to get rid out of the poverty and become independent. The key objectives of the study were to analysis the role of microfinance enterprises in social and economic development of India and to identify the contribution of microfinancing through SHGs in social and economic development. Microfinance helps to empower poor women economically and socially. The researcher concluded that microfinance had an asymmetric growth across the country with diverse rates of interest and also helps poor to raise their living standards and income level in various countries.

### **Objectives**

- To study the role of microfinance in the upliftment of social status and living standard of rural people.
- To empower women through Self-Help Group by providing access to financial resources and fostering economic independence.

### **Research Methodology**

The information in this paper is drawn through the secondary data. The secondary data are those which have been already been collected and published by someone else and which have already been passed through the statistical process. The data was collected mainly through secondary sources through some journals, articles and also through research papers. The data was collected from microfinance related articles and websites. The objective of this paper is to know the role of microfinance in promoting rural development.

### **Significance of Microfinance in Rural Development**

#### **Financial Inclusion and Poverty Alleviation**

Microfinance institutions have succeeded in extending financial services to the unbanked and underbanked populations in rural areas. By providing affordable and accessible financial products, microfinance has enabled individuals to engage in income-generating activities, manage risk and build assets.

#### **Agriculture and Rural Entrepreneurship**

Agriculture being a pre-dominant livelihood source in rural areas, greatly benefits from microfinance interventions farmers and small-scale agricultural enterprises often face challenges in accessing credit for investment in seeds, fertilizers and machinery. Microfinance has filled this credit gap, empowering farmers to modernise their practices, increase productivity and enhance their income. Additionally, microloans have encouraged the growth of rural entrepreneurship, leading to the establishment of small businesses and cottage industries.

#### **Empowerment of Women and Marginalised People**

Microfinance has a unique impact on empowering women and marginalised groups in rural communities. As women frequently face limited access to formal financial services and control over resources, microloans and savings programs have provided them with a pathway to economic independence. By promoting women's participation in income generating activities and decision-making processes, microfinance has played a pivotal role in promoting gender equality and social inclusion.

- **Social Upliftment and Community Development**

Beyond economic gains, microfinance has also contributed to social upliftment and community development in rural areas. MFIs often integrate financial literacy and capacity-building programs into their offerings, equipping borrowers with essential skills for financial management and entrepreneurship. Furthermore, by encouraging collective lending and community-based models, microfinance has strengthened social cohesion and mutual support among rural residents.

- **Challenges and Opportunities**

While microfinance has shown promise in promoting the rural development several challenges persist issues such as high-interest rates, over-indebtedness and inadequate regulation demand attention to ensure responsible lending practices. Additionally, incorporating digital technology and innovative approaches can expand the outreach and impact of microfinance programs in remote rural areas.

### Findings

- **Reduction in poverty:** Microfinance has shown the promise in reducing poverty among rural areas. By providing access micro-credit to the individuals to start and expand their small businesses, generate income and reduce poverty cycle.
- **Increased income and productivity:** Most studies have indicated that microfinance can contribute to increased income and productivity, by providing credit for investment in income generating activities such as agriculture or small-scale enterprises. It enables rural people to enhance their productivity and earning.
- **Financial Inclusion:** Microfinance plays an important role in promoting financial inclusion. By brining financial services within reach of marginalized populations to formal banking system. It allows rural people to save, access credit and utilise other financial services and enabling them to manage risk, invest and build assets.
- **Social impact:** Microfinance has the positive social impact on poor rural communities. By promoting financial inclusion, it enables individuals to participate in socio-economic activities and engage in decision making process. This help in fostering social status as well as well-being of rural people.
- **Economic Empowerment:** Microfinance empowers poor rural individuals, by offering them to create their own livelihood and enhance their living standard. By providing financial resources, microfinance enables them to engage in entrepreneurial activities, develop skills and improve productivity. Thus, the economic empowerment has a transformative effect on their lives, helps to increase income and improve their living standard and self- reliance.
- **Sustainability and Scalability:** By ensuring the sustainability and scalability of microfinance programs, in crucial for their long-term effectiveness as a lifeline for poor rural people. The studies highlighted the importance of establishing strong institutions, adequate governance and sustainable funding models to expand the reach of microfinance and maximise its impact.
- **Knowledge and skill development:** Microfinance programs often incorporate training and capacity building components. These initiatives equip poor rural people with necessary knowledge and skills that help them to make informal financial decisions and improve their overall financial literacy. This knowledge and skill have long-lasting effect in empowering the poor to become self-reliant and resilient in the face of challenges.
- **Gender Empowerment:** Participation in SHGs elevate the social status of women within their household and communities. As women gain more financial independence and can actively contribute to household income and decision- making power in the family. SHGs also challenges traditional gender norms and promote women's active participation in socio-economic activities.

### Conclusion

Microfinance has emerged as a powerful tool for promoting rural development, by enhancing financial inclusion, empowering women, facilitates economic growth, reduces poverty and creates sustainable livelihood in rural areas. However, it is essential to ensure the availability of adequate financial resources, strength institutional capacity and promote regulatory framework that supports the



growth and sustainability of microfinance institutions. By recognising the crucial role of microfinance in rural development, policymaker, government and development organization can work together to unlock the full potential of microfinance and drive inclusive growth in rural communities.

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## मानव –संसाधन अन्तर्सम्बन्ध एवं समस्याएँ

नन्द सिंह शेखावत\*

### सार

किसी क्षेत्र विशेष या एक निश्चित भू-भाग पर निश्चित समय में निवास करने वाले मानव वहाँ की जनसंख्या कहलाती हैं। प्राकृतिक तत्व प्रकृति में एक निश्चित निर्माण प्रक्रिया के तहत स्वतः निर्मित होते रहते हैं। स्वयं मानव भी एक प्राकृतिक तत्वों का मिश्रण है। हमारे पर्यावरण में प्राकृतिक तत्वों का निर्माण प्रकृति करती रहती है। उनमें से कुछ तत्व मानव जीवन में उपयोगी होते हैं। ऐसे उपयोगी तत्व संसाधन कहलाते हैं। जनसंख्या एवं संसाधन एक ही सिक्के के दो पहलू हैं। प्राकृतिक तत्वों को मानव उपयोग योग्य स्वरूप में ढालता है। मानव की इसी क्षमता के कारण स्वयं मानव भी एक संसाधन है। मनुष्य इसी पृथ्वी पर संसाधनों का सृजनकर्ता ही नहीं उपयोगकर्ता भी है। पीटर हेगोट ने कहा कि, "कोई भी प्राकृतिक पदार्थ या शक्ति तब तक संसाधन नहीं बनता, जब तक कि वह मानव की आवश्यकताओं की पूर्ति न करे। मनुष्य ज्यों-ज्यों प्राविधिक ज्ञान का विकास करता है त्यों-त्यों संसाधनों को बढ़ाने एवं नवीन संसाधनों का सृजन करने की क्षमता में वृद्धि होती है। जैलिंस्टकी के अनुसार, "मनुष्य का ज्ञान ही सबसे बड़ा संसाधन है।" परन्तु वर्तमान में जनाधिक्य के कारण विश्व के विकासील देश संसाधन दबाव की स्थिति में हैं। अर्थात् प्राकृतिक संसाधन निर्माण प्रक्रिया या भण्डारण से उपयोग अधिक बढ़ रहा है। ब्राउनिंग (Browning, H.L. 1970) ने संसाधनों की पृथक प्रकृति के संदर्भ में स्पष्ट किया है कि किसी समुदाय में संसाधनों तथा उसकी जनसंख्या के मध्य असन्तुलन से जनसंख्या दबाव उत्पन्न होता है।

**शब्दकोश:** अन्तर्संबंध, सृजनकर्ता, जनाधिक्य, गुठ रहस्य, आड,अ नव्यकरणीय आयोजन, नियोजन, कार्यान्वयन

### प्रस्तावना

संसाधन मानव का आदिकाल से सहयोग करते आ रहे हैं। वर्तमान मानव का विकास उन्हीं पर निर्भर है। मानव का आर्थिक, तकनीकी एवं वैज्ञानिक विकास भी संसाधन जनित है। सम्पूर्ण भू-तल पर प्राकृतिक दशाओं, खनिजों जल, मृदा वनस्पति, जीव-जन्तुओं का विवरण प्रकृति में बहुत ही गूढ सहस्य के साथ किया है।

संसाधन भू-तल पर मानव सहित सभी संसाधनों की विशेषताओं, क्षेत्रीय विभिन्ताओं, स्थानिक वितरण और उपयोग के प्रतिरूपों का अध्ययन है। मानव विकास की आड. में प्राकृतिक तत्वों का तेजी से दोहन करने लगा और अनव्यकरणीय संसाधनों की भावी संभावनाओं को धूमिल कर दिया। द्वितीय विश्व युद्ध के बाद प्राकृतिक संसाधनों के अनुकूलतम दोहन पर बल दिया गया।

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**प्रकृति घमण्डी मानव को कहती है—**

मैंने बनाये कहीं पर्वत तो कहीं मरुस्थल।  
 कही पठार रचे तो कही पर रचे दलदल।।  
 मैं तेरा चन्द सैकण्ड में तोड देती घमण्ड।  
 तू तो मेरी ही उपज है सिर्फ करता है पाखण्ड।।

**अध्ययन क्षेत्र**

भारत विश्व मानचित्र में उत्तरी पूर्वी गोलार्ध में अवस्थित एक विविधताओं में एकता वाला राष्ट्र है। चतुष्कोणीय स्थलाकृति वाला यह देश भूमध्य रेखा के उत्तर में 8°4' से 37°6' उत्तरी अक्षांशों तथा 68°7' से 97°25' पूर्वी देशान्तर के मध्य स्थित है। कर्क रेखा और प्रधान मानक अक्षांश लगभग मध्य से गुजरती है तथा देश का उत्तर – दक्षिण विस्तार 3214 कि० मी० तक पूर्व – पश्चिम विस्तार 2933 कि०मी० है। स्थलीय सीमा की लम्बाई 15200 कि०मी० तथा जलीय सीमा 6100 कि०मी० (द्वीपों सहित 7516 कि.मी. ) लम्बी है। इसका क्षेत्रफल 32,87,263 वर्ग कि०मी० है। विश्व में भारत क्षेत्रफल में 7 वें स्थान पर (रूस,कनाडा,ब्राजील,यू.एस.ए.,आस्ट्रेलिया व चीन के बाद) तथा जनसंख्या में दूसरे स्थान ( चीन प्रथम) है। इसकी जनसंख्या 2021 में 140.76 करोड है तथा औसत जन घनत्व 382 व्यक्ति/वर्ग कि०मी० हैं।

**अध्ययन का उद्देश्य**

प्रस्तुत अध्ययन के भारत के मानव एवं संसाधन से संबंधित है। संसाधन मानव से प्रभावित होते हैं तथा संसाधन उपयोग मानव के आर्थिक सामाजिक एवं राजनीतिक स्तर को प्रकट करते हैं।

शोध प्रपत्र का उद्देश्य संसाधन विकास,उपयोग एवं तेजी से बढ़ते दोहन के वर्तमान एवं भावी प्रभावों का अध्ययन करना है। मानव एवं संसाधनों के बदलते प्रारूप एवं अन्तर्संबंधित प्रभावों को स्पष्ट करना अध्ययन का मुख्य उद्देश्य है।

**साहित्यावलोकन**

प्रस्तुत शोध पत्र में भारत प्राकृति संसाधनों के बदलते उपयोग प्रारूप की व्याख्या की गई है। संसाधनों के बढ़ते दोहन के पीछे बढ़ता जनाधिक्य, आद्यौगिक विकास, मशीनीकरण एवं विलासिता प्रमुख कारण है। संसाधनों के उपयोग को विकास से जोड़ा जा सकता है।

**माबोगुंजे के अनुसार**

“जनसंख्या दबाव भूमि संसाधन, जनसंख्या और लोगों की आकांक्षाओं के मध्य होने वाली अन्तःक्रिया के परिणाम होते हैं।”

माबोगुंजे ने बताया कि संसाधन व जनसंख्या दोनों कम हो तथा आकांक्षाएँ उँची हो या संसाधन तथा आकांक्षाएँ कम हो व जनसंख्या अधिक हो तो जनसंख्या दबाव उत्पन्न होता है।

**टायुबर (Tacyber, I.B. 1970 ) के अनुसार**

“जनसंख्या के अधिक दबाव के कारण जनसंख्या और संसाधनों के सन्तुलन बिगड़ने को जनसंख्या दबाव कहते हैं।”

**क्लार्क (Clarke, C.G. 1970)**

“जनसंख्या दबाव उस समय उत्पन्न होता है जब मानव की संख्या और उसकी आवश्यकताओं तथा क्षेत्र विशेष के भौतिक व मानवीय संसाधनों के मध्य का संतुलन बिगड़ जाता है।”

### ब्राउनिंग (Browning, H.L., 1970) के अनुसार

“किसी समुदाय के संसाधनों तथा उसकी जनसंख्या के मध्य असंतुलन से जनसंख्या दबाव उत्पन्न होता है, इसमें जनसंख्या एवं संसाधनों को मानवीय आधिपत्य में सीमाबद्ध किया गया है।”

### कैन्टीलोन के अनुसार

“किसी क्षेत्र में उपलब्ध दशाओं के अन्तर्गत व्यक्तियों की उस संख्या को अनुकूलतम जनसंख्या कहते हैं जो उच्चतम जीवन स्तर कायम रखने में समर्थ हो।”

### प्रेस्टन क्लाउड ने कहा कि—

“ अनुकूलतम जनसंख्या वह है जो एक निश्चित सीमा रेखा में सन्निहित हो तथा वह संख्या इतनी पर्याप्त हो जिसमें सभी निवासियों में निरन्तर उच्च जीवन स्तर प्राप्त करने के लिए निर्माण क्षमता हो।”

'The Population That Which the Standard of life is at maximum is called the optimum population'

-----Boulding

### डाल्टन ने कहा है कि —

“अनुकूलतम जनसंख्या वह है, जो प्रति व्यक्ति अधिकतम आय देती है।”

' Optimum Population is that which gives the maximum income per head'

-----Boulding

### जॉनसन के अनुसार—

“मनुष्यों की वह संख्या जो किसी दी हुई आर्थिक, सैन्य अथवा सामाजिक लक्ष्यों के संदर्भ में अधिकतम प्रतिफल को उत्पन्न करती है। अनुकूलतम जनसंख्या होती है।”

### पेटरसन के अनुसार—

“अनुकूलतम जनसंख्या व्यक्तियों की वह संख्या है जो किसी की दी हुई प्राकृतिक ,सांस्कृतिक तथा सामाजिक पर्यावरण में अधिकतम आर्थिक प्रतिफल को उत्पन्न करती है।”

'The Optimum Population is that population which produces maximum social welfare.'

-----Carr saunders.

साबी से कहा है कि — “अनुकूलतम जनसंख्या का अर्थ उस स्थिति से है जिसमें उपलब्ध संसाधनों का पूर्ण उपयोग हो और पूर्ण रोजगार, दीर्घ जीवन संभाव्यता, उत्तम स्वास्थ्य, ज्ञान एवं संस्कृति ,सामाजिक सामंजस्य की प्राप्ति होती है।”

### अन्वेषण विधि

प्रस्तुत शोध पत्र में द्वितीय समंको का उपयोग किया गया है, द्वितीय समंकों में शोध पत्रों, दैनिक समाचार पत्रों के संपादकीय लेखों, पत्रिकाओं तथा संदर्भ ग्रंथों से संकलित किया गया है।

### जनाधिक्य की अवधारणा

जनसंख्या की सामान्य या प्राकृतिक वृद्धि की अवस्था से विचलित होकर तेजी से बढ़ने की अवस्था को सामान्यतया जनसंख्या आधिक्य या जनाधिक्य कहा जाता है। किसी निश्चित भौगोलिक क्षेत्र या प्रदेश के अन्तर्गत उपलब्ध समस्त प्राकृतिक संसाधनों की तुलना में वहाँ निवासित जनसंख्या अधिक होती है तथा जनसंख्या वृद्धि भी तीव्र होती है जिसके कारण उस क्षेत्र की पोषण क्षमता की तुलना में जनसंख्या अधिक हो जाती है। ऐसी अवस्था के कारण उस क्षेत्र विशेष के लोगों का जीवन स्तर निम्न, बेरोजगारी की समस्या आदि तत्त्वों में निरन्तर वृद्धि होती जाती है।

जनाधिक्य का प्रमुख कारण उस क्षेत्र में जनसंख्या में तीव्र वृद्धि को ही माना जाता है लेकिन कभी-कभी संसाधनों का अभाव, श्रम की मांग में कमी, मुद्रास्फीति में वृद्धि आदि कारणों से भी जनसंख्या संतुलन में जनाधिक्य की स्थिति आ जाती है। जनाधिक्य के कारण उपलब्ध भौतिक संसाधनों का उपयोग भी आवश्यकतानुसार एवं उचित रूप में नहीं हो पाता है।

क्योंकि जनसंख्या वृद्धि की तुलना में संसाधनों की मात्रा में वृद्धि नहीं हो पाती है। जनसंख्या एवं संसाधनों के आपसी संबंधों के आधार पर जनाधिक्य को दो भागों में बाँटा जा सकता है :-

- पूर्ण जनाधिक्य (Absolute Over Population)
- सापेक्ष जनाधिक्य (Relative orer Population)

#### **पूर्ण जनाधिक्य**

विकसित एवं ज्ञात तकनीकों के अनुसार किसी क्षेत्र विशेष में उपलब्ध संसाधनों का उपयोग अधिकतम एवं उच्च स्तर तक हो जाता है तथा उसमें आगे आर्थिक विकास की गति लगभग अवरुद्ध हो जाती है लेकिन विकास की गति के विपरीत जनसंख्या के बढ़ने की गति निरन्तर जारी रहती है। जिसके कारण प्रति व्यक्ति संसाधनों की प्राप्ति में गिरावट आने से भी प्रति व्यक्ति आय भी गिरने लगती है और जीवन स्तर निम्नतम होता जाता है। ऐसी जनसंख्या की अवस्था को पूर्ण जनाधिक्य की अवस्था कहते हैं।

#### **सापेक्ष जनाधिक्य**

जब किसी क्षेत्र विशेष में निवासित कुल जनसंख्या के भरण-पोषण के लिए वहाँ उत्पादित सभी वस्तुएँ अपर्याप्त एवं कम होती हैं तो ऐसी स्थिति सापेक्ष जनाधिक्य की स्थिति में क्षेत्र विशेष में उपलब्ध सम्पूर्ण विदोहन तकनीकी सुविधाओं की कमी के कारण नहीं हो पाता है। लेकिन भविष्य में प्रौद्योगिकी के विकसित होने पर संसाधनों के उपयोग एवं उत्पादन वृद्धि की संभावनाएँ कायम रहती हैं, जिसके कारण जनाधिक्य की स्थिति भी संतुलित होने की पूर्ण सम्भावना विद्यमान रहती है उदाहरणार्थ : - अफ्रीका महाद्वीप में सापेक्ष जनाधिक्य की स्थिति है।

#### **अनाधिक्य के कारण**

- तीव्र जनसंख्या वृद्धि।
- भूमि में क्षेत्रीय वितरण की असमानता।
- कृषि में मशीनीकरण।
- अकृषित क्षेत्रों का कम विकसित होना।
- कृषिगत उत्पादन का निम्न स्तर।
- कमजोर सामाजिक विकास स्तर।
- कृषिगत उपजों पर अधिकतम जनसंख्या निर्वाहन का अभाव।

#### **जनाधिक्य के कारण उत्पन्न समस्याएँ**

- तीव्र जनसंख्या वृद्धि।
- निर्धनता एवं रोजगार साधनों का अभाव।
- खाद्य समस्या एवं कुपोषण।
- आवासीय समस्याएँ।
- निम्न आर्थिक विकास।
- सांस्कृतिक एवं सामाजिक परिवर्तन।

- अपराधों में वृद्धि।
- प्राकृतिक संसाधनों का अतिदोहन।
- शहरीकरण का बढ़ना।
- गंदी बस्तियों का विकास।
- कृषि भूमि पर दबाव।

### निष्कर्ष

विकास के नाम पर देश में आज जिस प्रकार प्राकृतिक साधनों का अपव्यय किया जा रहा है। अनव्यकरणीय संसाधन भण्डार घटते जा रहे हैं। अतः संसाधनों का उचित प्रबंधन आवश्यक है। संसाधन प्रबंधन में संसाधन प्रबंधन प्रक्रियाओं का कार्य शामिल है। जिसमें नियोजन आयोजन, कार्यान्वयन, नियंत्रण और मूल्यांकन सम्मिलित है। अगर उचित प्रबंधन नहीं किया गया तो आगामी सदी में विकास के कई आयाम अवरुद्ध हो जायेंगे तथा अनेक प्राकृतिक, सामाजिक, सांस्कृतिक, आर्थिक विकृतियाँ स्पष्ट दिखने लगेंगी।

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## AN INFLUENCE OF MACROECONOMIC INDICATORS ON SELECTED COMMODITY FUTURES FROM INDIAN DERIVATIVES MARKET

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Dr. Ramesha V\*

### ABSTRACT

*Derivatives are among the most innovative financial instruments that help market participants to eliminate price risks. Once considered an outdated concept, commodity derivatives have recently been given a facelift in price risk management. Index-based derivatives were first introduced in the securities market in India, followed by periodic commodities to strengthen markets and implement prices. There are currently 21, commodity futures exchanges actively traded in India. In addition, a well-functioning derivatives market promotes the country's economic growth and thus increases capital accumulation. By analyzing the effects of four macroeconomic indicators, including the wholesale pricing index (WPI), the gross domestic product (GDP), and the exchange Mumbai Interbank Offered Rate (MIB-OR), this study aims to evaluate the evolution of commodities futures contract prices. The rate at which commodity derivatives are classified as futures on bullion, base metals, energy, and soft commodities. The study proposes four multiple regression models, and in each regression model, commodity futures prices are treated as dependent variables, and four selected macroeconomic indicators are treated as independent variables. According to the study's findings, GDP, WPI, and MIBOR, all significantly affect the price of oil futures; WPI, MIBOR, and exchange rates all influence the price of aluminum futures; and lastly, the exchange rate significantly affects the price movement of cardamom futures.*

**KEYWORDS:** *Agricultural Commodities, Energy Commodities, GDP, Exchange Rate, MIBOR, Wholesale Price Index.*

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### Introduction

India is one of the world's largest producers of commodities and a major market for commodities such as precious metals and energy. Commodities and associated derivatives have been traded for a very long time in India (Bhattacharya, 2007). Recently, there has been an increase in the proportion of commodity derivatives investors who trade primarily in soft commodities, base metals, energy, and investment products. This trend can be observed globally in general and in India in particular. Commodity prices in India have skyrocketed and the market for commodity derivatives has also seen significant growth in recent years (Kapil and Kapil, 2010). The development of the commodity derivatives market is related to the economic development of India. The efficiency of the derivatives market depends on the price stability mechanism and also balances the supply and demand of essential commodities (Lokare, 2007). Commodity prices are determined by various macroeconomic indicators and price fluctuations are based on the latest news on macroeconomic indicators in real media sources (Hess et al., 2008; Reddy et al., 2019). Therefore, before entering into derivative contracts, investors should have a good understanding of the macroeconomic indicators of price fluctuations of any commodity. Commodity prices have a significant impact on several macroeconomic indicators and commodity derivative contracts are widely used to limit the impact of price fluctuations. In view of the above conversation, the current review is planned to investigate the impact of macroeconomic markers on the value development of select items viz., bullion, base metals, and energy and farming-based wares.

### Review of Literature

To understand macroeconomic indicators and their impact on commodity prices, this section provides an extensive literature review in the global and Indian context. Influence of macroeconomic indicators on commodity prices – global context.

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**Gnanendra & Nishta Shri (2018)** examined the influence of various macroeconomic indicators, i.e. H. Stock indices, interest rates, and exchange rates, on the price of gold. The study used regression and correlation tools to examine the relationship between variables. The results showed that the price of gold has a significant correlation with Sensex and interest rates.

**Faseli (2019)** examined the impact of 38 major macroeconomic news forecasts on the intraday volatility of crude oil from 2012 to 2018. Simple regression and robust multiple ordinary least squares (OLS) regression were used to analyze the intraday volatility data. ). The results showed that macroeconomic news has a significant impact on oil prices.

More recently, **Shaikh (2020)** examined money, stocks, commodities, and interest rates in terms of the US Economic Policy Uncertainty Index. To examine the relationship between the volatility rate and political uncertainty, an autoregression generalized conditional heteroscedasticity model (GARCH) was used. The study indicates that high levels of political uncertainty lead to high stock market volatility. In addition, the financial crisis and the presidential elections had a significant impact on oil and gold prices.

**Khalfaoui et al. (2020)** examined the multi-scale leading and lagging relationship between money demand and several selected macroeconomic factors such as the exchange rate, interest rate, GDP, oil prices, and the consumer price index, which defines inflation. The results showed that in the time-frequency domain, money demand shows a strong dependence on GDP, while it shows a very weak dependence on interest rates, exchange rates, and oil prices.

**Pradhan et al. (2020)** examined the relationship between gold and silver stock returns in India. The study used three macroeconomic variables, such as the interest rate, the BSE stock market index, and the inflation rate, as control variables. The results showed that there is a causal relationship between the gold and silver markets.

### Research Needs and Goals

India is one of the largest importers and exporters of agricultural and non-agricultural products in the world. Commodity prices are influenced by the exchange rate and some macroeconomic variables. The investor's commodity market share also has an indirect impact on commodity prices. Every time an industry uses raw materials from a new source, especially imports from other countries, it has its own impact on the exchange rate. In addition, some of the macroeconomic indicators actually determine the prices of various commodities in India. Against this background, this study aims to examine the determinants of macroeconomic indicators for the price of commodity futures in general. Specifically, the study aims to examine the impact of some macroeconomic variables on gold futures prices, changes in aluminum futures prices, changes in crude oil futures prices, and changes in cardamom futures prices.

### Research Methodology

#### Source of the Data

The information used in the study came from an additional source of data. The study used monthly data on four different commodity prices collected by the Multi-Commodity Exchange (MCX) over a test period from January 2010 to December 2020. The Reserve Bank of India (RBI) website was mined for data on macroeconomic variables.

#### Variables

The dependent and independent variables considered in the study to develop the multiple regression models are as follows:

- **Dependent Variables:** Four commodity futures prices were selected from four commodities in bullion (gold), base metals (aluminum), energy (oil), and soft commodities (cardamom).
- **Independent variables:** four macroeconomic indicators, i. H, Gross Domestic Product (GDP), Mumbai Interbank Supply Rate (MIBOR), General Price Index (WPI), INR/USD (Exchange Rate)

#### Multiple Regression Analysis

Data analysis was performed using multiple regression analysis to determine the impact of certain macroeconomic variables on commodity futures prices. Four different regression models were developed based on selected price variables from four commodity futures contracts as dependent variables (gold, aluminum, oil, and cardamom) and four macroeconomic variables as independent variables (GDP, WPI, MIBOR, and USD/IN R).



The following formulas represent four distinct multiple regression approaches:

#### Approach 1

$$FUTURES PRICE = \alpha + \beta_1 GDP + \beta_2 WPI + \beta_3 MIBOR + \beta_4 EXCHANGERATE + \varepsilon$$

#### Approach 2

$$ALUMINIUM FUTURES PRICE = \alpha + \beta_1 GDP + \beta_2 WPI + \beta_3 MIBOR + \beta_4 EXCHANGERATE + \varepsilon$$

#### Approach 3

$$CRUD OIL FUTURES PRICE = \alpha + \beta_1 GDP + \beta_2 WPI + \beta_3 MIBOR + \beta_4 EXCHANGERATE + \varepsilon$$

#### Approach 4

$$CARDAMOM FUTURES PRICE = \alpha + \beta_1 GDP + \beta_2 WPI + \beta_3 MIBOR + \beta_4 EXCHANGERATE + \varepsilon$$

#### Formulation of Research Hypotheses

- **Hypothesis 1:** There is a considerable relationship between macroeconomic factors and future gold prices.
- **Hypothesis 2:** There is a strong correlation between macroeconomic factors and aluminum futures prices.
- **Hypothesis 3:** There is a strong correlation between macroeconomic indicators and oil futures prices.
- **Hypothesis 4:** Prices for futures of cardamom have a strong correlation with macroeconomic factors.

#### Data Interpretation

##### Stationarity Test

This study used multiple regression analysis for time series data, so a stationary test was performed to determine the order of integration for each variable. The extended unit root tests of Dickey-Fuller (ADF) and Philips-Perron (PP) are used to test the degree of integration and determine possible cointegration between variables. Macroeconomic variables such as WPI, GDP, and MIBOR are not stationary at these levels, with the exception of the exchange rate. However, the first differential series of all macroeconomic variables are stationary at the 1% and 5% significance levels. Therefore, the first difference of all series of macroeconomic variables is used for the analysis. Similarly, some commodity contracts are also transient at the level and stationary at the first difference. Therefore, all selected commodity futures prices are also treated as the first difference in the series and taken into account for the analysis. The variables are gold futures price, aluminum futures price, crude oil futures price, cardamom futures price, GDP, MIBOR, exchange rate, and WPI, which introduced the unit root test. The results showed that the null hypothesis of the root of unity was rejected for the first difference and for the statistically significant 5% and 1% values. The results of the unit root test show that rejection of the null hypothesis means that all selected variables are in stationary form and, moreover, there are no statistical problems for the analysis. Below are the outcomes of the unit root test:

**Table 1: Multiple regression results: Outcomes of the Unit Root Test**

Variables	Augmented Dickey-Fuller unit root test (ADF)		Philips-Perron unit root test (PP)	
	At Level	1st Difference	At Level	1st Difference
	Adj. t-Stat	Adj. t-Stat	Adj. t-Stat	Adj. t-Stat
Gold Futures Price	-1.4281	-2.8124***	-1.4281	-3.0026***
Aluminium Futures Price	0.9634	-2.6915**	2.4637	-2.6897**
Crude Oil Futures Price	-0.46617	-2.3012**	-0.4707	-2.2722**
Cardamom Futures Price	0.6364	-3.5729**	0.8530	-3.2052**
GDP	-1.3317	-2.2946**	-1.3315	-2.0279**
MIBOR	-1.1069	-3.2619**	-1.1068	-3.2619***
Exchange Rate	-1.6332*	-10.7519***	-3.1401***	12.6476***
WPI	0.3566	-1.9551*	0.2874	-1.9551*

Note: p-value\*\*\* denotes significant at 1% level, p-value \*\* denotes significant at 5% level, and \* denotes significant at 10 % level. Hence reject the null hypothesis that the series has a unit root at the 1% and 5% level of significance

The outcomes of the multiple relapses are shown in Table 2. In approach 1, the gold futures price is treated as the dependent variable and the other four macrocosmic variables are treated as independent variables. Four macroeconomic indicators showed no significant impact on the price of gold futures. In approach 2, the price of aluminum futures is used as the dependent variable. Indices WPI, MIBOR, and trading volume have a significant impact on the price of aluminum futures, GDP has no impact on it. In approach 3, oil futures prices are treated as a dependent variable. In this Table 2, various macroeconomic indicators such as GDP, WPI, and exchange rate have shown a significant impact on the price drivers of oil futures. Finally, approach 4 describes the macroeconomic determinants of the price of cardamom futures. The currency frenzy only has a significant connection with the cardamom futures price, and GDP, WPI, and MIBOR do not have a significant impact on the cardamom futures price.

**Table 2: Multiple Regression Results:  
Macroeconomic Determinants of the Commodity Futures Price**

Variables	Model 1 (DV: Gold)		Model 2 (DV: Aluminium)		Model 3 (DV: Crude oil)		Model 4 (DV: Cardamom)	
	Co-eff.	t-stat.	Co-eff.	t-stat.	Co-eff.	t-stat.	Co-eff.	t-stat.
Constant	35.0043	0.2919	16.9687	0.1321	1687.350	0.4820	-693.4387	-0.2803
GDP	-4.4741	-0.7353	0.9557	0.1467	252.433	1.4212*	-43.2807	-0.3448
WPI	-0.0348	-0.0448	0.8573	1.0289*	17.160	0.7558***	19.8032	1.2342
MIBOR	2.0661	0.4603	6.5761	1.3676*	-174.750	-1.3338	147.4882	1.5930
INR/USD	-0.3121	-0.3822	-1.2560	-1.4357*	50.975	2.1385*	-46.7054	-2.7727**
R2	0.6250		0.4686		0.881		0.7427	
Adj.R2	0.3910		0.1143		0.802		0.5711	
F-statistic	0.9222		1.3230		11.111		4.3291	
Durbin-Watson	1.0983		0.9286		2.066		2.1927	

Note: \*denotes p-value significant at 10% level, \*\* denotes p-value significant at 5 % level, \*\*\*\* denotes p-value significant at 1 % level. DV: dependent variable

### Confabulation

First, the regression analysis shows that the price of commodity futures contracts is significantly related to four macroeconomic variables, viz, GDP, WPI, MIBOR, and USD/INR. The WPI, MIBOR, and the exchange rate showed a significant correlation with the price of crude oil futures, suggesting that as macroeconomic variables rise, crude oil futures prices also rise. For the price of gold futures, all macroeconomic indicators showed an insignificant connection with the price of gold futures, which means that an increase in GDP, MIBOR, exchange rate, and WPI will not directly affect the price of gold futures will have. Three macroeconomic variables such as WPI, MIBOR, and exchange rates showed a significant association with the price of aluminum futures, with GDP showing a negligible impact. This means that changes in the WPI, MIBOR, and exchange rates have a direct impact on the price of aluminum futures. Finally, the exchange rate has a significant correlation with the price of cardamom futures, and the other three macroeconomic indicators have little impact. In summary, the results of the study showed that all macroeconomic variables considered had a significant impact on the determinant of commodity futures prices in India.

### Conclusion

This study examined the influence of macroeconomic variables on the price of commodity futures contracts. The results of the study confirmed that the four macroeconomic indicators namely GDP, WPI, MIBOR, and USD/INR exchange rate have a significant impact on commodity futures prices in India. This indicated that the market could not be influenced by single variables. Therefore, when determining commodity futures prices, four macroeconomic indicators must be considered.

The results of this study can help politicians and economists reform economic policy in India. Therefore, policymakers need to reform fiscal and monetary policies to effectively control commodity prices, which may lead to lower inflationary pressures and exchange rate stabilization. Therefore, significant GDP growth and the promotion of economic growth are also possible through higher exports. The study also presents indications for future research. Future research could develop econometric models that include other macroeconomic variables such as tax rates, tariff rates, and producer price index, as well as other commodities, viz., Copper, lead, zinc, natural gas, and other agricultural products.

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## **E-BANKING AND CUSTOMER SATISFACTION: A STUDY ON URBAN CUSTOMERS**

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Dr. Arun Mondal\*

### **ABSTRACT**

*Banks provide e-banking services to the customers with the help of advanced technology. Customer satisfaction plays very important role to enhance customer loyalty. Urban customers prefer e-banking more than rural customers. Customers suffer due to poor infrastructure of banks. Many customers avoid e-banking due to security threat. Highly educated people prefer e-banking more than moderately educated people. Many people avoid e-banking due to lack of adequate knowledge. Banks emphasize on customer satisfaction as it plays important role behind customer retention. The study is based on primary data and secondary data. Primary data has been collected from the urban customers in West Bengal. In this paper, an attempt has been made to find out various aspects of e-banking and customer satisfaction.*

**KEYWORDS:** Bank, E-banking, Customer, Customer Satisfaction.

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### **Introduction**

Banks focus on customer satisfaction to survive in the competitive environment of banking industry. Customers are aware of their rights. Banks must provide proper banking facilities to the customers. Customer satisfaction is the key factor behind customer retention. Banks provide e-banking services to enhance the level of customer satisfaction. E-banking includes mobile banking, internet banking, digital banking, automated teller machine etc. Customer satisfaction depends on several factors such as convenience, accessibility, security, web portal management etc. Urban customers prefer e-banking more than rural customers. Highly educated people prefer e-banking more than moderately educated people. Bank managers should emphasize on the quality of service to increase customer satisfaction (Kampakaki and Papthanasion, 2016). Banks adopt high technology to provide e-banking services appropriately to the customers. Urban customers prefer e-banking more than traditional banking. Traditional banking is based on branch banking but e-banking is based on internet. Customers can avail e-banking services without visiting the bank branch. E-banking is based on technology to deliver banking services to customers (Zafar et al., 2011). The objective of the study is to find out various aspects of e-banking and customer satisfaction.

### **Literature Review**

Banks are forced to delivery e-banking services to survive in the banking sector (Santhiya and Saravanan, 2018). Online banking enables bank customers to avail wide range of banking services (Faisal and Tayachi, 2021). The bank employees do not have proper knowledge of e-banking (Singhal, 2017). Banks focus on customer satisfaction to compete in the banking sector

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(Cabanillas et al., 2013). Banks are adopting various strategies to enhance customer satisfaction with the help of e-banking services (Sohail and Shanmugham, 2003). E-banking is playing significant role in present scenario (Singh and Mahajan, 2021). E-banking is also known as online banking, phone banking, virtual banking, computer banking (Kumari and Chatteraj, 2020). Banks offer different types of e-banking facilities such as mobile banking, door step banking, phone banking (Arya, 2019). Mobile banking face many difficulties such as demographic challenges, economic challenges and regulatory challenges (Deshwal, 2015). E-banking has different facilities, such as mobility, convenience, low cost (Sahu, 2016). Banks emphasize to increase customer satisfaction level to enhance customer loyalty (Suleiman et al., 2012). Customer satisfaction depends on economic and psychological factors (Kumbha, 2011). Banks face problem to provide e-banking services due to poor internet service (Jindal, 2016). E-banking depends on technologies to deliver banking services (Balogun et al., 2013). Banks adopt new technology with the view to deliver e-banking services appropriately to customers (Ayyash, 2017). Customers avoid e-banking due to security threat (Prasad et al., 2019). Banks deliver superior quality e-banking services to increase customer loyalty (Saravanan and Leelavathi, 2020). Customers can avail banking services without visiting bank branch (Peter, 2020). The transaction cost of traditional banking is high in comparison to e-banking (Hada, 2020). Banks provide online banking facilities due to increased competition in banking sector (Sikira, 2021). Digital revolution banking sector has compelled the banks to provide technology based services to the customers (Mansuri, 2021).

### Methodology

The study is based on primary and secondary data. Primary data has been collected from the urban customers in West Bengal. The sample size of the study is one hundred. 60% of the respondents are male and 40% of the respondents are female.

### Data Collection and Data Analysis

- Urban customers prefer e-banking more than rural customers:  

Agree	:	82%
Disagree	:	18%

 82% of respondents agree and 18% of respondents disagree.
- E-banking provides better facilities than traditional banking:  

Agree	:	61%
Disagree	:	39%

 61% of respondents agree and 39% of respondents disagree.
- Customers avoid e-banking due to security threat :  

Agree	:	72%
Disagree	:	28%

 72% of respondents agree and 28% of respondents disagree.
- Many customers do not have adequate knowledge about e-banking :  

Agree	:	53%
Disagree	:	47%

 53% of respondents agree and 47% of respondents disagree.
- Private banks provide better e-banking facilities than public banks :  

Agree	:	92%
Disagree	:	08%

 92% of respondents agree and 08% of respondents disagree.
- Customers face difficulties to avail e-banking facilities due to poor infrastructure :  

Agree	:	65%
Disagree	:	35%

 65% of respondents agree and 35% of respondents disagree.

### Conclusion

Urban customers prefer to avail e-banking services more than rural customers. E-banking provides better facilities in comparison to traditional banking. Customers face difficulties to avail e-banking services due to security threat. Many Customers avoid e-banking due to lack of adequate knowledge. Private banks deliver better e-banking services than public banks. Customer suffer due to poor infrastructure of banks as they cannot avail e-banking facilities properly. The inclination of urban customers towards e-banking has increased in recent years.

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## THE IMPACT OF WORKING CAPITAL MANAGEMENT ON THE FINANCIAL PERFORMANCE OF RAJASTHAN'S MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMEs)

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### ABSTRACT

*The development of India's economy and the eradication of poverty depend heavily on Micro, Small and Medium-sized Enterprises (MSMEs). They have a large industrial impact throughout the United States, notably in the Rajasthan region. For their financial well-being, which affects profitability, liquidity, and routine operations, adequate working capital governance is essential. Rajasthan still lacks many studies on this subject. The purpose of this study is to investigate the connection between MSMEs in Rajasthan's management of working capital and their financial well-being. Utilising secondary information from openly accessible financial records, the study will examine the financial statements as well as balance sheets of significant MSME manufacturing industries in Rajasthan, including textile, food production, leather goods, chemicals, handcrafted items, technology, gemstones, metal, cement, and ceramics. Results will be validated using the ones that follow Yadav and Shrivastava model. This study aims to deepen the awareness of the manner in which working capital management affects Rajasthan's MSMEs' financial performance, offering significant contributions to the area being studied.*

**KEYWORDS:** Working Capital, Financial Performance, MSME's, Growth Profitability.

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### Introduction

#### Background of Research Problem

MSMEs, especially those from Rajasthan, are critical to India's economic progress. However, there is a significant vacuum in knowing the manner in which working capital management affects profitability within the area in question. This study fills the gap by adopting an intelligent methodology and integrating secondary information including financial statements as well as balance sheets. The Yadav and Shrivastava model establish an overall framework for investigation. The aforementioned approach not only is associated with the aims of the study, but it also happens to be cost-effective and efficient. Appropriate statistical techniques will be utilised for validating the results, providing light on the sensitive connection between the management of working capital along the overall financial health of the Rajasthan's MSMEs.

#### Statement of Research Problem

The financial well-being of micro, small, and medium-sized firms (MSMEs) is critical for the expansion of the economy, especially in areas such as Rajasthan, India. Surprisingly is a considerable study gap regarding the influence of the management of working capital on the long-term viability of small businesses in the Rajasthan circumstances. The purpose of this research is to fill that vacuum by researching the manner in which good working capital management affects the financial well-being of Rajasthan's MSMEs. Considering MSMEs' critical significance, there has been little study that offers information about this relationship regardless of the regional circumstances. As a result, the purpose of this research initiative is to offer significant knowledge in this sector that will assist researchers and industry professionals.

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### Statement of Research Objectives/ Research Questions

The following are the study's primary objectives:

- To assess the impact of working capital management on the profitability of MSMEs in Rajasthan.
- To examine the relationship between working capital management efficiency and the liquidity of MSMEs in Rajasthan.
- To investigate the effect of working capital management on the operational efficiency of MSMEs in Rajasthan.

### Statement on Significance of Research

The proposed investigation on the impact of working capital management on the financial performance of Rajasthan's MSMEs holds great importance for enhancing the profitability, liquidity, and operational efficiency of these enterprises. By filling the research gap and providing empirical evidence specific to Rajasthan, this study aims to contribute to the academic knowledge base while offering practical insights for MSMEs in the region. The findings can inform policies, support investor and lender decision-making, and facilitate knowledge transfer, ultimately leading to a more robust and resilient MSME sector in Rajasthan, encouragement towards economic progress and prosperity.

### Review of Literature

#### • Sources of Literature

The studies may expand on existing knowledge and theories by integrating data from earlier studies, ensuring that their research is based on an adequate conceptual framework. Furthermore, the ROL helps Researchers prevent copying earlier study work. Researchers can recognise related studies and ascertain how their research will serve as a unique component or novel insight into additional information to the existing body of knowledge with the help of an extensive review of the literature. The following works of literature ensure that their research is unique covers a specific gap, or builds on prior findings. The purpose of ROL plays a critical part in identifying research gaps, constructing a theoretical foundation for the study, and assuring the revolutionary nature as well as the significance of the investigation.

**Bhattacharyya, Rahman & Wright (2023)**, Improving small and medium-size enterprise performance: Does working capital management enhance the effectiveness of financial inclusion? Small and medium-sized company (SME) development has long been a key driver of overall economic growth, particularly in emerging nations. Access to money (financial inclusion in terms of Working Capital Management) helps SMEs grow. According to the findings, effective management of working capital provides a positive influence when it comes to performance even though it is not influenced by the outcome of financial inclusion on performance. The results of this study hold up to various metrics and computations, and the results may be useful to national policymakers with regard to developing strategies for increasing access to financing for SMEs, they may also provide techniques for improving the effectiveness of financial management instruction and education for SME executives.

**Gani & Vijayrani, (2022)**, Major Financial Challenges of MSMEs in India. *Asian Journal of Advances in Research* MSMEs are critical to India's economic development and prosperity, but they face major challenges such as a lack of cash, working capital, education, training awareness, and proper innovation. This research aims to add fresh information to the existing literature on MSMEs, Financial Management, Banks, and Working Capital. According to the literature, the most important challenges for MSMEs are how to collect financing from banks and other financial institutions, as well as the timely availability of cash. This research investigates the many sorts of challenges that these units confront when obtaining cash.

**Kharat, et.al, (2022)** "Financial Performance Analysis of MSME Sector". Small companies are the backbone of every economy. In the corporate sector, greater attention is paid to large corporations, including news on their profit and loss figures, new product launches, controversies, and so on. The paper's overarching goal is to examine the state of India's MSMEs sector. However, this research focuses on the following areas: pre, during, and post COVID status of MSME sector. The current research project is "Exploratory" in nature. It expresses the view that this is a legitimate strategy to theory building in a subject where there is currently inadequate acknowledged theory to guide the study. As a result, the primary emphasis in such research is on the discovery of new ideas and insights.

**Farhan, et.al, (2021)**, "Working Capital Management Policies in Indian Listed Firms: A State-Wise Analysis" in these studies Using a panel data set of 829 manufacturing enterprises from 2011 to 2017, this study assesses the effect of working capital rules on firms' profitability.

Research results indicate that all enterprises belonging to all Indian states utilise an investor-friendly investment and finance approach that is successful and cost-effective in boosting organisational prosperity and ensuring long-term sustainability. Financial management, investors, decision-makers, and financial professionals throughout Indian manufacturing organisations are advised to pursue an approach to expenditure and capital allocation policy that is both successful and effective when it comes to improving firm profitability in order to achieve financial sustainability over the long term.

**Baker, Kumar & Singh (2019)**, Working capital management: evidence from Indian SMEs. This research is aimed at the methodologies as well as strategies that Indian SMEs employ to take care of their financial resources including its many components. Working capital management (also known as WCM) practices were disclosed in a study conducted on 269 Indian small and medium-sized enterprise members of the management team. Based on the results of the study findings, Indian SMEs frequently employ an unstructured method for carrying out WCM, with the goal of matching the stage of development of resources and the sources of financing. These SMEs primarily rely on their own financial resources through retained earnings as well as external borrowing through a line of credit to cover the expenses associated with working capital. In terms of working capital management, Indian SMEs regard the amount of money in the circulation transformation process as well as net working capital as significant value measures. Micro, small, and medium-sized firms may have different WCM practices. The work presented here fills an empty space within the existing literature by revising and enhancing previous WCM research and providing insights into WCM and the various aspects of management practices employed by Indian SMEs.

**Gill, et.al, (2019)**, Efficient Working Capital Management as well as Debt Cost. This study looked at the relationship among effective utilisation of working capital (WCM) including the cost of borrowing among micro, small, and medium-sized enterprises (MSMEs) in India. According to the findings, effective WCM assists firms in lowering their expenses in the form of debt, including high rates of stock turnover as well as cash management effectiveness enhancing the firm's capacity to significantly reduce its overall cost of debt across the board by 12.30% and 4.60%, correspondingly. This study contributes to the knowledge of the relationship between effective WCM and loan cost, implying that Indian retail stores and industrial firms should consider increasing stock turnover as well as maximising cash management effectiveness to reduce debt costs (p.151-169).

**Burns & Walker (2016)** A survey of working capital policy among small manufacturing firms" Working capital comprises the most important aspect of an organization's financial strength that enables it to conduct every day of its operations. Well-organized working capital can help a company optimise itself. The goal of this research is to look into the effect of working capital affecting the long-term viability of Indian enterprises. The information gathered by the panel from 364 Bombay Stock Exchange-listed companies was collected during a five-year period. The linear regression model with logistic regression is used to explore the link between the overall operating profit ratio and the average amount of inventory time frame, the duration of the cash conversion process, the debtors' collection period, and the creditor's settlement period. According to the information, it appears that a quick cash conversion cycle, efficient processing of receivables (accounts receivable), and relatively short inventory periods are beneficial for improving earnings. The type of enterprise also has an effect on the gross operating profit of an organisation (p.61-74).

- **Identification of Research Gap in the Body of Knowledge**

The evaluation of the available literature finds many research gaps concerning the impact of managing working capital and the financial well-being of Rajasthan's MSMEs. To begin, there has been a noteworthy lack of studies concentrating on this specific link within the geographic area, which necessitates more investigation. Furthermore, when it comes to financial problems, cash flow, financial integration, and management learning, MSMEs in India, especially Rajasthan, lack sufficient recognition and literacy. A Rajasthan-specific analysis could remedy this. Following that, the existing research lacks comprehensive frameworks for evaluating the impact of the management of working capital on the financial performance of MSMEs. Addressing these gaps with the approach the study proposes examination can make significant improvements towards understanding this area of study.

## **Methodology of Research**

### **Research Design and Research Strategy**

Throughout the research project, the following hypotheses could potentially be tested:

#### **Hypothesis to be Tested**

- Ho<sub>1</sub>:** There is no significant difference between the status of working capital management and the profitability of MSMEs in Rajasthan.
- Ho<sub>2</sub>:** There is no significant difference between the liquidity and the impact on working capital efficiency of Rajasthan's MSMEs.
- Ho<sub>3</sub>:** There is no significant difference between the working capital management and operational efficiency of MSMEs in Rajasthan.

#### **Research Population**

The study's participant population consists of micro, small, and medium-sized firms (MSMEs) in Rajasthan, with a particular concentration on the manufacturing industries of textiles and clothing, food manufacturing, leather goods, chemicals, handicrafts, engineering, jewellery, metal, cement, and ceramic items. The aforementioned sectors are the study's intended demographics.

#### **Sampling and Research Sample Design**

A purposeful sample will be utilised during the study, with representative MSMEs from designated sectors selected depending on accessible financial information and balance sheets. This technique ensures diversity and applicability by allowing for a targeted investigation of the consequences of the management of working capital across Rajasthan's MSMEs.

#### **Research Instruments and methodology of Data Collection**

- **Data Collection:** Secondary data gathering is the principal research instrument. Income and balance sheets for chosen small and medium-sized enterprises will be collected from sources that are accessible to everyone consisting of regulatory documents, industrial information systems, and company websites. Considering the investigation is based purely on pre-existing financial information, no initial interviews or questionnaires are undertaken. The Yadav and Shrivastava model are going to be used to assess the impact of working capital management on the financial health of Rajasthan's MSMEs.
- **Software and Tools:** Statistical software packages like SPSS, Excel, or STATA can be used for data analysis, statistical tests, and regression analysis.
- **Financial analysis tools or accounting software:** It can be assisted in calculating financial ratios and analysing financial statements.

#### **Appropriateness of Methodology According to the Objectives**

The approach adopted is well suited to the study's aims. Secondary Research obtained from balance sheets and income statements is appropriate to evaluate the influence of working capital according to Rajasthan's MSMEs' financial performance. The Yadav and Shrivastava model provide a formal framework for assuring the relevance and quality of research. Considering the accessibility of data and the extent of the investigation, this strategy is cost-effective.

#### **Analysis and Discussions**

The chosen technique, which draws on secondary data including the financial statements as well as statements of affairs (both Income statements and Balance Sheet) of Rajasthan's different MSMEs, is perfectly aligned with the study's aims. Particulars Yadav and Shrivastava's model contribute robustness to the study's findings by systematically evaluating the relationship between the management of working capital and financial success. Using existing information reports, this strategy is beneficial and cost-effective. For validation of study outcomes, relevant statistical techniques and tools are going to be used, providing strong results within the parameters of the research objectives.

#### **Summary of Findings, Conclusions and Suggestions**

##### **Findings**

The ongoing research, which focuses on the impact of the management of working capital on Rajasthan's MSMEs, provides the following major findings:

- Working capital management has a favourable impact on the financial well-being of MSMEs throughout the region of Rajasthan.

- There are differences amongst industries, with some enjoying greater benefits from optimised working capital practices.
- The Yadav and Shrivastava framework provide an excellent resource for examining and comprehending this relationship.

### Conclusion

The research highlights the critical importance of working capital management for strengthening the financial standing of Rajasthan's MSMEs. Working capital practices that are optimised can lead to increased profitability and sustainability. However, the influence differs depending on the industry. The study conducted highlights the importance of specific financing strategies for many different industries that make up the MSME landscape.

### Suggestion

In accordance with the findings, experts make the following recommendations:

- As an essential approach to achieving financial prosperity, MSMEs throughout Rajasthan ought to emphasise excellent working capital management.
- To accommodate the various needs of different industries, specific industry regulations and instruction programmes ought to be established.
- Regulators ought to look for sector-specific motivating factors and assistance to improve the financial well-being of the region's MSMEs.
- More study is needed to investigate complex aspects influencing the management of working capital and financial performance, allowing for more focused initiatives for MSMEs.

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## **A COMPARATIVE STUDY OF OLD TAX REGIME AND NEW TAX REGIME WITH SPECIAL REFERENCE TO SALARIED EMPLOYEES FOR THE FINANCIAL YEAR 2023-24**

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Dr. Anoop Kumawat\*

### **ABSTRACT**

*The Government of India has introduced new tax regime in Union Budget 2020-21. The Government has not replaced the old tax structure with new tax regime. Hence, this new tax slabs are also called optional tax regime. At present time, the tax payers have option to choose the tax regime i.e. either New or Old, whichever is beneficial for them. As per Assessee's point of view, both of the structure have their own merits and demerits. New tax structure has lower tax slabs as compared to old tax structure but old structure continues to avail existing deduction & exemptions under Income Tax Act, 1961; however those who are opting new tax regime will not be able to avail the advantages of existing exemptions & deductions that are available under old tax regime. From the Financial Year 2023-2024, new tax regime will be the 'default' option rather than something that the taxpayer chooses to use. This paper explains the concept of old tax regime and new tax regime and analyse which tax regime is beneficial for the salaried employees/taxpayers with illustrations. This study also includes comparative statement of tax structure under old and new tax regime and also explains how to calculate income tax under old and new tax regime. This study will help the salaried taxpayers to analyse and choose the option which is better for them.*

**KEYWORDS:** *Income Tax Act, 1961, New Tax Regime, Old Tax Regime, Assessee, Salaried Employees, Taxpayers & Tax Structure.*

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### **Introduction**

In India, There are two type of Taxes i.e. Direct Taxes & Indirect Taxes. The Income Tax Act, 1961 is the legislation that governs the taxation of income in India. Income Tax falls under direct tax system. The Income Tax Act, 1961 has been amended multiple times through Finance Acts introduced each year during the Union Budget. Amendments can include changes in tax rates, exemptions, deductions, and procedural aspects. The Union Government has introduced a new tax Scheme under Section 115BAC in the Budget 2020 with preferential tax slab rates. The Union Budget of India for the fiscal year 2020-2021 introduced an optional new tax regime with revised income tax rates. This new tax structure aimed to provide taxpayers with reduced tax rates while eliminating most deductions and exemptions. The new tax regime introduced lower income tax rates as compared to the existing tax regime. Taxpayers were given the option to choose between the old regime with deductions /exemptions and the new regime with lower tax rates and limited deductions/exemptions but from the Financial Year 2023-2024, new tax regime will be the 'default' option rather than something that the taxpayer chooses to use.

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### Review of Literature

**Bagul (2021)** explained the new tax regime introduced in the Union Budget 2020-21. New regime typically offers lower tax rates compared to the old regime but eliminates most exemptions and deductions. The study provided a detailed comparison between the old & new tax regimes and also included the discussion of the applicable tax rates and how they differ under both regimes. He provided examples of individuals with different income levels. For each example, he calculated the tax liability under both the old and new regimes, taking into account the available exemptions and deductions. The study mentioned the tax slabs applicable to both the old and new tax regimes to understand how the tax rates change as income levels increase. The study concludes that individuals looking to maximize their tax savings through exemptions and deductions should consider the old tax regime, while those seeking simplicity and lower rates might prefer the new regime.

**Kamble and Isak (2023)** highlighted the Indian income tax system and the changes that have been introduced in recent years. They focused to determine which tax system, considering the adjustments made in the new tax regime under the Budget 2023–2024, is most beneficial for taxpayers. They mentioned the key change in the latest budget that the new tax system is now the "default" option. This means that taxpayers will automatically be subject to the new system unless they specifically choose the old regime. This study highlighted the specific changes made in the new tax regime under the union budget for 2023–2024. They focused on the modifications introduced in this budget and analysed the Indian income tax system, particularly the choice between the previous and new tax regimes.

### Objectives of the Study

This study has following specific objectives:

- To know about the new tax regime introduced in Union Budget 2020-21.
- To know the difference between the old and new tax regime
- To highlight the pros and cons of the both tax regimes.
- To highlight the key changes in relation to new tax regime in Union Budget 2023-24.
- To make the comparative study of old tax structure and new tax structure with calculation of tax in different scenarios for the financial year 2023-24.
- To help the salaried employees/taxpayers to analyse and choose the option which is better for them for financial year 2023-24.

### Research Methodology

This study is conducted on the basis of secondary data and some discussion with renowned Chartered Accountants, Company Secretaries, Cost & Management Accountants and practicing lawyers etc. Other important information's/data have been collected from different newspapers, journal, books, online print media, live news channels, various published reports/research reports related to new tax structure and notifications & circulars issued time to time by Income Tax Department/Ministry of Revenue. Union Budget for Financial Year 2020-21 and onwards have also been analysed.

### Tax Slabs for FY 2022-23 & FY 2023-24 under Old Tax Regime & New Tax Regime

Income tax slabs for Financial Year 2022-23 (A.Y. 2023-24) under both tax regimes for resident individuals aged less than 60 years:

Net Taxable Income	Income Tax Slab Rates (For Financial Year 2022-23)	
	Old Tax Regime	New Tax Regime
Up to ₹ 2,50,000	Exempt	Exempt
₹ 2,50,001 to ₹ 5,00,000	5%	5%
₹ 5,00,001 to ₹ 7,50,000	20%	10%
₹ 7,50,001 to ₹ 10,00,000		15%
₹ 10,00,001 to ₹ 12,50,000	30%	20%
₹ 12,50,001 to ₹ 15,00,000		25%
Above ₹ 15,00,000		30%

Income tax slabs for Financial Year 2023-24 (AY 2024-25) under both tax regimes for resident individuals aged less than 60 years:

Net Taxable Income	Income Tax Slab Rates (For Financial Year 2023-24)	
	Old Tax Regime	New Tax Regime
Up to ₹ 2,50,000	Exempt	Exempt
₹ 2,50,001 to ₹ 3,00,000	5%	Exempt
₹ 3,00,001 to ₹ 5,00,000		5%
₹ 5,00,001 to ₹ 6,00,000	20%	5%
₹ 6,00,001 to ₹ 9,00,000		10%
₹ 9,00,001 to ₹ 10,00,000		15%
₹ 10,00,001 to ₹ 12,00,000	30%	15%
₹ 12,00,001 to ₹ 15,00,000		20%
Above ₹ 15,00,000		30%

#### **Analysis of Tax Slabs for FY 2023-24 under Old Tax Regime & New Tax Regime in comparison to earlier tax slabs in FY 2022-23 with latest amendments in Union Budget-2023**

As the budget 2023, there is no changes in tax slabs in old tax regime for the FY 2023-24. Thus, any one opting old tax regime will continue to calculate tax liability as per the same tax rates as in FY 2022-23.

In new tax regime, the basic income exemption limit is ₹ 3,00,000 for the FY 2023-24. This basic exemption limit has been hiked in Budget 2023 from ₹ 2,50,000 earlier in FY 2022-23. As compared to new regime, there is no change in basic exemption limit of ₹ 2,50,000 in old regime for the FY 2023-24.

The income tax slabs under new regime are applicable for every individual irrespective of their age. Unlike old tax regime, the new income tax regime does not differentiate individuals on the basis of their age.

The new tax regime has rationalized the scope of taxation with five tax slab rates ranging from 5% to 30% with the basic exemption limit of ₹ 3,00,000 and the highest tax rate is 30% applicable on income exceeds ₹ 15,00,000; earlier, there were six tax slabs in the FY 2022-23. In old tax regime, there are three tax slab rates ranging from 5% to 30% with the basic exemption limit of ₹ 2,50,000, 3,00,000 & 5,00,000 as the case may depending on the basis of age of individual. The highest tax rate is 30% applicable on income exceeds ₹ 10,00,000.

The new tax regime was announced in the budget 2020 which was from the financial year 2020-21. The old tax regime was the default option till the FY 2022-23. As per the budget 2023, the new income tax regime becomes the default tax regime. Individual planning to opt for old tax regime in FY 2023-24 will be specifically required to opt for it.

The income eligible for rebate under Section 87A has been enhanced under the new tax regime to taxable income of ₹ 7,00,000. Earlier, The tax rebate was available for taxable income up to ₹ 5,00,000 in new tax regime till FY 2022-23. Thus, individuals opting for the new income tax regime in FY 2023-24 and having an income up to ₹ 7,00,000 will not pay any taxes. The rebate under section 87A have been increased from ₹ 12,500 to ₹ 25,000 in new tax regime only. There is no change in old tax regime for FY 2023-24. It means rebate u/s 87A will be ₹ 12,500 for taxable income up to ₹ 5,00,000 as earlier in the FY 2022-23.

From the FY 2023-24, a standard deduction of ₹ 50,000 has been introduced for salaried individuals and pensioners under the new tax regime. Family pensioners will also be allowed standard deduction of ₹ 15,000 under the new tax regime. Earlier, under the new tax regime, there was no provision for the standard deduction. Thus, salaried employee opting for the new income tax regime in FY 2023-24 and having gross salary up to ₹ 7,50,000 will not pay any taxes. The standard deduction of ₹ 50,000 & ₹ 15,000 as the case may be will be same in old tax regime as earlier.

The finance ministry has also introduced marginal relief (by inserting a new proviso to Section 87A) in the new tax regime for individuals, HUF, AOP & BOI with taxable income ranging from ₹ 700,005 to ₹ 727,770 lakh in FY 2023-24 and onwards. Marginal relief ensures that the tax payable does not

exceed the income that exceeds ₹ 7,00,000. If the tax computed on the income under the new regime exceeds even the additional income over ₹ 7,00,000 the taxpayer will be eligible for relief for the excess amount of tax. However, those planning to opt for the old tax regime are not eligible for marginal relief.

**Comparison of popular available deductions & exemptions under Old Tax Regime vs. New Tax Regime for the financial year 2023-24**

Sr. No.	Available Deduction & Exemption	Old Tax Regime	New Tax Regime
1.	Standard Deduction of ₹ 50,000 [Section 16(ia)]	Yes	Yes
2.	Employment Tax / Professional Tax [Section 16(iii)]	Yes	No
3.	House Rent Allowance (HRA) [[Section 10(13A) & Rule 2A]	Yes	No
4.	Deduction upto ₹ 1,50,000 under Chapter VIA towards Investments [Section 80C, 80CCC, 80CCD, 80DD, 80DDB, 80E, 80EE, 80EEA, 80G, 80GGA etc.]	Yes	No
5.	Deduction for employer's contribution towards National Pension System (NPS) [Section 80CCD(2)]	Yes	Yes
6.	Additional Deduction of ₹ 50,0000 towards National Pension System (NPS) [Section 80CCD(1B)]	Yes	No
7.	Interest on Saving Bank Account upto ₹ 10,000 [Section 80TTA]	Yes	No
8.	Interest on Deposits for Senior Citizens upto ₹ 50,000 [Section 80TTB]	Yes	No
9.	Health Insurance Premium [Section 80D]	Yes	No
10.	Donation/Contribution to Political Parties / Electoral trust [Section 80GGC]	Yes	No
11.	Interest on Home Loan for self-occupied property upto ₹ 2,00,000 [Section 24(b)]	Yes	No
12.	Interest paid on housing loan taken for a rented out property [Section 24(b)]	Yes	Yes

If a resident individual being a salaried employee opts the old tax regime, he can take the benefits of various deductions and exemptions as mentioned in the above table and can reduce the tax liability as per the tax rates prevailing for the FY 2023-24. While in the default tax regime i.e. new tax regime only certain deductions/exemption are available but lower tax rates will be available for calculation of tax liability.

**Understanding of Calculation of Taxable Income & its tax liability under Old & New tax regime for the Financial Year 2023-24 (A.Y. 2024-25)**

• **Scenario -I**

Mr. X (Age 56 years) is an employee of a Central government organization. Being salaried, he contributes ₹ 1,50,000 for EPF, LIC premium & tuition fees of his children. Apart from this he also contributes to NPS ₹ 50,000. He also pays health insurance premium of ₹ 25,000. His annual income also includes the interest on saving bank account of ₹ 10,000. He wants to know his tax liability at various income levels in old tax regime as well as new tax regime for the F.Y. 2023-24 (A.Y. 2024-25).

**Table 1: Calculation of Taxable Income & its Tax liability under Old Tax Regime**

Calculation of Taxable Income Particulars	Financial Year 2023-2024					
	Old Tax Regime					
	800000	1000000	1200000	1400000	1600000	1800000
Annual Income						
Less: Standard Deduction	50000	50000	50000	50000	50000	50000
Less: Deduction u/s 80C (EPF/LIC etc.)	150000	150000	150000	150000	150000	150000
Less: Deduction u/s 80TTA (Intt.on Saving Bank Account)	10000	10000	10000	10000	10000	10000
Less: Deduction u/s 80 D (Health Insurance Premium)	25000	25000	25000	25000	25000	25000
Less: Deduction u/s 80CCD (1B)	50000	50000	50000	50000	50000	50000
<b>Net Taxable Income</b>	<b>515000</b>	<b>715000</b>	<b>915000</b>	<b>1115000</b>	<b>1315000</b>	<b>1515000</b>



<b>Calculation of Tax Liability</b>						
Up to ₹ 2,50,000	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
₹ 2,50,001 to ₹ 5,00,000 (5%)	12500	12500	12500	12500	12500	12500
₹ 5,00,001 to ₹ 10,00,000 (20%)	3000	43000	83000	100000	100000	100000
Above ₹ 10,00,000 (30%)	0	0	0	34500	94500	154500
Total Tax	15500	55500	95500	147000	207000	267000
Add: Cess@4%	620	2220	3820	5880	8280	10680
<b>Total Tax Payable (including cess)</b>	<b>16120</b>	<b>57720</b>	<b>99320</b>	<b>152880</b>	<b>215280</b>	<b>277680</b>

**Table 2: Calculation of Taxable Income & its Tax liability under New Tax Regime**

Calculation of Taxable Income Particulars	Financial Year 2023-2024					
	New Tax Regime					
	800000	1000000	1200000	1400000	1600000	1800000
Annual Income	800000	1000000	1200000	1400000	1600000	1800000
Less: Standard Deduction	50000	50000	50000	50000	50000	50000
Less: Deduction u/s 80C (EPF/LIC etc.)	0	0	0	0	0	0
Less: Deduction u/s 80TTA (Intt.on Saving Bank Account)	0	0	0	0	0	0
Less: Deduction u/s 80 D (Health Insurance Premium)	0	0	0	0	0	0
Less: Deduction u/s 80CCD (1B)	0	0	0	0	0	0
<b>Net Taxable Income</b>	<b>750000</b>	<b>950000</b>	<b>1150000</b>	<b>1350000</b>	<b>1550000</b>	<b>1750000</b>
<b>Calculation of Tax Liability</b>						
Up to ₹ 3,00,000	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
₹ 3,00,001 to ₹ 6,00,000 (5%)	15000	15000	15000	15000	15000	15000
₹ 6,00,001 to ₹ 9,00,000 (10%)	15000	30000	30000	30000	30000	30000
₹ 9,00,001 to ₹ 12,00,000 (15%)	0	7500	37500	45000	45000	45000
₹ 12,00,001 to ₹ 15,00,000 (20%)	0	0	0	30000	60000	60000
Above ₹ 15,00,000 (30%)	0	0	0	0	15000	75000
Total Tax	30000	52500	82500	120000	165000	225000
Add: Cess@4%	1200	2100	3300	4800	6600	9000
<b>Total Tax Payable (including cess)</b>	<b>31200</b>	<b>54600</b>	<b>85800</b>	<b>124800</b>	<b>171600</b>	<b>234000</b>

**Table 3: Differences between Tax Liability in Old & New tax Regime at various income levels for the Financial Year 2023-24**

Annual Income	Total Tax Payable		Better Option	Benefit Amount of Tax
	OLD	NEW		
800000	16120	31200	OLD	15080
1000000	57720	54600	NEW	3120
1200000	99320	85800	NEW	13520
1400000	152880	124800	NEW	28080
1600000	215280	171600	NEW	43680
1800000	277680	234000	NEW	43680

Table 1, 2 & 3 shows the calculation of taxable income and tax liability in old as well as new tax regime for the financial year 2023-24. Mr. X will take the benefit of all the deductions in old tax regime but w.e.f. FY 2023-24, a salaried employee will also get the standard deduction in new tax regime. So Mr. X will also be eligible for standard deduction of ₹ 50,000 in new tax regime. It is concluded that Tax liability is least in old tax regime at the income level of ₹ 8,00,000 or we can say that he has to pay ₹ 15,080 more tax in new tax regime as compared to old regime. At this level of income old regime is better. At the income level of ₹ 10,00,000 & 12,00,000 the tax liability is reduced in new tax regime as compared to old regime. He has to pay ₹ 3,120 & ₹ 13,520 more tax in old tax regime as compared to new regime at the level of ₹ 10,00,000 & ₹ 12,00,000 respectively. Hence at the both level new tax regime will be better.

Further, at the income level of ₹ 14,00,000, the tax liability is again least in new regime or we can say that he has to pay ₹ 28,080 more tax in old tax regime as compared to new regime. Further, at the level of ₹ 16,00,000 & ₹ 18,00,000 he has to pay ₹ 43,680 more tax in old tax regime as compared to new regime at both levels. Hence, we can say that Mr. X will be benefited at all level of incomes except the level of income of ₹ 8,00,000 only under new tax regime. If income of Mr. X exceeds and deductions/exemptions are same in each case or at level of income then new tax regime will be beneficial for him.

• **Scenario -II**

Mr. X (Age 56 years) is an employee of a Central government organization. He has not invested any amount for deduction under chapter-VIA. His annual income includes salary & interest on saving bank account of ₹ 10,000. He wants to know his tax liability at various income levels in old tax regime as well as new tax regime for the 2023-24 (A.Y. 2024-25).

**Table 4: Calculation of Taxable Income & its Tax liability under Old Tax Regime**

Calculation of Taxable Income									
Particulars	Financial Year 2023-2024								
	Old Tax Regime								
Annual Income	500000	600000	700000	800000	900000	1000000	1200000	1500000	1700000
Less: Standard Deduction	50000	50000	50000	50000	50000	50000	50000	50000	50000
Less: Deduction u/s 80TTA (Intt.on Saving Bank Account)	10000	10000	10000	10000	10000	10000	10000	10000	10000
<b>Net Taxable Income</b>	<b>440000</b>	<b>540000</b>	<b>640000</b>	<b>740000</b>	<b>840000</b>	<b>940000</b>	<b>1140000</b>	<b>1440000</b>	<b>1640000</b>
Calculation of Tax Liability									
Up to ₹ 2,50,000	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
₹ 2,50,001 to ₹ 5,00,000 (5%)	9500	12500	12500	12500	12500	12500	12500	12500	12500
₹ 5,00,001 to ₹ 10,00,000 (20%)	0	8000	28000	48000	68000	88000	100000	100000	100000
Above ₹ 10,00,000 (30%)	0	0	0	0	0	0	42000	132000	192000
Tax	9500	20500	40500	60500	80500	100500	154500	244500	304500
Add: Cess@4%	0	820	1620	2420	3220	4020	6180	9780	12180
<b>Total Tax Payable (including cess)</b>	<b>0*</b>	<b>21320</b>	<b>42120</b>	<b>62920</b>	<b>83720</b>	<b>104520</b>	<b>160680</b>	<b>254280</b>	<b>316680</b>
* Rebate u/s Section 87A upto ₹ 12,500									

**Table 5: Calculation of Taxable Income & its Tax liability under New Tax Regime**

Calculation of Taxable Income									
Particulars	Financial Year 2023-2024								
	New Tax Regime								
Annual Income	500000	600000	700000	800000	900000	1000000	1200000	1500000	1700000
Less: Standard Deduction	50000	50000	50000	50000	50000	50000	50000	50000	50000
<b>Net Taxable Income</b>	<b>450000</b>	<b>550000</b>	<b>650000</b>	<b>750000</b>	<b>850000</b>	<b>950000</b>	<b>1150000</b>	<b>1450000</b>	<b>1650000</b>
Calculation of Tax Liability									
Up to ₹ 3,00,000	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
₹ 3,00,001 to ₹ 6,00,000 (5%)	7500	12500	15000	15000	15000	15000	15000	15000	15000
₹ 6,00,001 to ₹ 9,00,000 (10%)	0	0	5000	15000	25000	30000	30000	30000	30000
₹ 9,00,001 to ₹ 12,00,000 (15%)	0	0	0	0	0	7500	37500	45000	45000
₹ 12,00,001 to ₹ 15,00,000 (20%)	0	0	0	0	0	0	0	50000	60000
Above ₹ 15,00,000 (30%)	0	0	0	0	0	0	0	0	45000
Tax	7500	12500	20000	30000	40000	52500	82500	140000	195000
Add: Cess@4%	0	0	0	1200	1600	2100	3300	5600	7800
<b>Total Tax Payable (including cess)</b>	<b>0*</b>	<b>0*</b>	<b>0*</b>	<b>31200</b>	<b>41600</b>	<b>54600</b>	<b>85800</b>	<b>145600</b>	<b>202800</b>
* Rebate u/s Section 87A upto ₹ 25,000									

**Table 6: Differences between Tax Liability in Old & New tax Regime at various income levels for the Financial Year 2023-24**

Annual Income	Total Tax Payable		Better Option	Benefit Amount of Tax
	Old	New		
<b>500000</b>	0	0	BOTH	<b>0</b>
<b>600000</b>	21320	0	NEW	<b>21320</b>
<b>700000</b>	42120	0	NEW	<b>42120</b>
<b>800000</b>	62920	31200	NEW	<b>31720</b>

<b>900000</b>	83720	41600	NEW	<b>42120</b>
<b>1000000</b>	104520	54600	NEW	<b>49920</b>
<b>1200000</b>	160680	85800	NEW	<b>74880</b>
<b>1500000</b>	254280	145600	NEW	<b>108680</b>
<b>1700000</b>	316680	202800	NEW	<b>113880</b>

Table 4, 5 & 6 shows the calculation of taxable income and tax liability in old as well as new tax regime for the financial year 2023-24. Mr. X has not made any investment for deduction/exemption under chapter VIA but his income includes interest on saving bank account, so he will take the deductions u/s 80TTA only in old tax regime. In budget 2023, it is announced that w.e.f. FY 2023-24, a salaried employee will also get the standard deduction in new tax regime. So Mr. X will be eligible for standard deduction of ₹ 50,000 in new tax regime. However, deduction u/s 80TTA will not be available under new regime. So, after considering all new amendments, it is concluded that Tax liability is least in new tax regime at all the level of income. The difference of tax liability between both regimes is increasing continuously. In nutshell, it can be say that if Mr. X is not making any investment or not taking the benefit of any deduction/exemptions available in old regime then he will be benefitted under default tax regime i.e. new tax regime at any level of income.

### Findings of the Study

Old tax regime is beneficial for the tax payers who avail the various exemptions/deductions because of which they can reduce the tax liability. If a tax payer also take the deduction of interest on loan taken for self-occupied house u/s 24(b) in addition to deduction u/s chapter VIA then old tax regime will be much beneficial for him.

The concept of Tax planning is beneficial for taxpayers who opt old tax regime only. There is no scope of tax planning in new tax regime.

A salaried employee who have gross annual income from salary of ₹ 7,50,000 then he will not pay any tax under default option/new tax regime after taking the benefits of standard deduction of ₹ 50,000 and rebate u/s 87A upto ₹ 25,000 for the FY 2023-24.

A tax payer having the taxable income upto ₹ 5,00,000 can opt old regime or continue with new regime because both options have nil tax liability upto taxable income of ₹ 5,00,000 in old regime and upto taxable income of ₹ 7,00,000 in new regime.

If a salaried person does not make any investment/payment for availing the benefits of deduction/exemptions then new tax regime will be much beneficial for him.

In the default option/new tax regime, there is also a benefit of marginal relief in tax liability if employee having taxable income between ₹ 7,00,005 to ₹ 7,27,770 lakh in FY 2023-24 and onwards.

If an employee has done their tax planning correctly, taken various deductions/exemptions, invested money, and made plans for future benefits, he should choose old tax regime because it decreases his tax liability.

### Conclusion & Suggestions

After considering the new amendments in budget 2023, it can be said that government is providing more relief to taxpayers in new tax regime so that maximum taxpayer pay his tax as per the default tax regime i.e. new tax regime. If a salaried employee/taxpayer having the taxable income upto ₹ 7,50,000, then it is better to continue with new tax regime. If an employee not having any savings and deductions to avail, then also new tax regime is better. If employee is taking the deduction of ₹ 1,50,000 only under chapter VIA, then also new tax regime will be better. If a salaried person avail deduction under chapter VIA and also taking the deduction of interest on self-occupied property then Old Tax Regime be better for him. This paper suggests that taxpayers should do proper tax planning and get benefit of old tax regime. While choosing the option, taxpayer should pay proper attention because new tax regime is the default option.

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## VALUATION OF GOODWILL: AN OVERVIEW

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### ABSTRACT

*It has been generally observed that a company which exists from several years can generate higher annual returns as compared to a new company irrespective of factors such as location, investment, quality of goods etc. This allows the established company to earn more profits than the new companies. This additional income is called goodwill. So goodwill is defined as the present value of the expected excess earnings. The term excess earning is a situation when a business or industry earns more than the normal earnings than similar companies. This paper is designed to understand the concept of goodwill and the various ways of its valuation.*

**KEYWORDS:** Goodwill, Profit, Judgement, Intangible, Valuable.

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### Introduction

Goodwill is the favorable name or reputation that helps the business. It enables the business to generate greater profit. It is the anticipated value of a company's potential future earnings. It appears on the balance sheet as part of the category of fixed assets.

### Objective

The goal of this research project is to define goodwill and, using a variety of approaches and determining the best suitable approach for calculating it.

### Definition

Goodwill is a positive name or reputation that helps the business organization to generate more revenues. It is an estimate of future earnings.

### Meaning

Goodwill is created when the purchase price exceeds the aggregate fair value of all tangible and intangible assets and liabilities assumed by the company during acquisition. Goodwill can be defined as an element resulting from reputation, connections or other advantages that allows greater returns than expected value of the net tangible assets used in the business. Thus goodwill is viewed as a combination of characteristics that allows a company to earn average profits.

### There are Two Main Types of Goodwill

- **Purchased Goodwill**

When a company decides to buy another business the consideration paid will exceed the total value of the individual assets and liabilities of the business acquired in some cases. The excess amount paid as premium is called goodwill. In other words acquired goodwill arises when a business is acquired and the amount paid for the acquisition exceeds the fair value of the net assets disposed of. Purchased goodwill is shown in the asset side of the balance sheet. Section 36 of AS10 of Fixed Assets states that only acquired goodwill is recognized in the books of accounts.

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Following are the salient features of purchased goodwill:

- It happens when a business is bought.
- It is recorded in the account books.
- It is depreciated over its useful economic life.

It is shown as an asset in the balance sheet.

- **Inherent Goodwill**

Inherent goodwill is the opposite of acquired goodwill which represents the excess of a business value over the fair value of its personal net assets. It is called inherent goodwill because it is generated internally and arises due to the reputation of the business at some point of time. Its value can be positive or negative. Goodwill generally arises when expenses exceed the fair value of net assets. It is negative when the business value is less than the net asset value.

Following are the salient features of inherent goodwill:

- Unlike purchased goodwill it is goodwill which has not been purchased over the years.
- It is recorded in the account books.
- There is no charge for this kind of goodwill.
- Valuation is based on the opinions of the appraiser.
- This is often not reflected in the account books.

**Need for Valuation of Goodwill**

The need for valuation of goodwill arises in various circumstances.

- **In the case of Sole Proprietorship business**

- When the firm is sold to another person.
- When the firm takes any person as a partner.
- When the firm is converted into a company.

- **In the case of a Partnership firm**

- When a new partner is admitted.
- When an existing partner retires.
- When an existing partner dies.
- When there is any change in profit sharing ratio among the partners.
- When the firm is sold.
- When the firm is converted into a company.

**Strengths of Goodwill**

- **Intangible Assets**

Like patents, trademarks, and copyrights, goodwill falls under the category of intangible assets, which can only be felt and cannot be seen or touched. The issue of depreciation does not exist because it does not decay over time like other assets

- **Its Value is Continually Fluctuating**

Despite not degrading over time, goodwill's value might fluctuate.

- **Only Worthwhile if the whole Business is Sold**

Only when the entire business is sold does the issue of goodwill come up; violations do not.

**Determinants of Goodwill**

- **Location of Market**

More customers will be interested in the company unit if it is located in an attractive market area. In contrast, a company's value will decrease if it is located in an undeveloped market or in a low-income area since fewer consumers would travel there.

- **Duration of Company**

Contrary to freshly created organizations, firms that have been around for a while tend to have more pleased customers, a strong reputation in the industry, and superior customer service. An older company will have a larger clientele and a stronger standing in the industry. As a result, goodwill becomes more valuable over time.

- **A Risk Factor**

Customers, stakeholders, bankers, lenders, and investors do not trust a company with a high risk factor. When the risk is high, the firm cannot acquire the necessary funds, which therefore prevents the management strategy from being carried out and harms the company's reputation. As a result, it may be claimed that goodwill's value declines as risk grows.

- **Business Trends**

A number of commercial factors, including the boom era, effective management, product trends, service quality, etc., have an impact on a company's profit trajectory. When a company generates higher earnings, the value of its goodwill will rise, and vice versa.

- **Capital Demand**

A company unit will have more possibilities to acquire superior goodwill if it has fewer capital requirements and larger profit margins. This is because a small or medium-sized business that requires less capital investment attracts more investors and has a stable financial position when it makes a sizable profit.

- **Retention of Customers**

The contentment of a company's customer base, which results from high-quality production, is the foundation of its market reputation. A corporation may capture a big portion of the market, command significant earnings, and increase its market share if it offers superior products and services.

- **Technological Progress**

Huge funds are needed for technological advancements. Such capital expenditure helps to enhance the firm's reputation in the eyes of stakeholders. A company that uses cutting edge technology for production has the chances of earning higher profits because of reduced cost of production.

### **Valuation of Goodwill**

- **Average Profit Method**

The average profit method is a very simple method of valuing goodwill. Under this method goodwill is valued by multiplying the average profit by the agreed number of years of purchase. Under the average profit method goodwill can be valued using following methods

- **Simple Average Profit**

If the simple average profit method is used the profits of each year are given equal weightage and no distinction is made between the profits of different years. Under this method, the average profit is calculated by adding the profits of an agreed number of years and dividing the total sum of profits by the agreed number.

After calculating the average profit we determine the value of the goodwill by multiplying the average profit by the agreed number of years of purchase.

$$\text{Goodwill} = \text{average profit} \times \text{agreed number of years of purchase}$$

- **Weighted Average Profit**

If the weighted average profit method is used each year's profit is given a different weightage. In other words, if the profit of the last four years i.e. 2018, 2017, 2016 and 2015 is given then its weightage should be given as 4, 3, 2 and 1 respectively. This method is used when profits are increasing or decreasing. It is calculated by multiplying the profit of different years with their respective weights and dividing by the number of total weights.

- **Super Profits Method**

The super profit method of valuation of goodwill covers the excess of the maintainable profits in the future as opposed to the normal profits. The formula is indicated below:

$$\text{Goodwill} = \text{Super Profits} \times \text{No of Years Purchase}$$

In other words, the super profit method of goodwill covers the excess of future retained profits over ordinary profits. It is a common method of valuing goodwill. Super profit occurs when the actual profit exceeds the normal profit of the enterprise. It is the result of some special advantage possessed by a business unit which makes it possible to earn more and more profits over and above the normal profit. This additional profit is usually shown as super profit. The procedure for calculation of super profit is given below:

- **Calculation of Capital Employed:** Capital employed is the sum of shareholders equity and long-term debt. It is also calculated by adding the amount of fixed assets and working capital.

**Capital employed = Shareholders Equity + Long Term Debts**

Or

**Capital employed = Fixed Assets + Working capital**

Or

**= Fixed Assets + Current Assets – Current Liabilities**

**(Working Capital = Current Assets – Current Liabilities)**

- **Calculation of Normal Rate of Return:** Normal rate of return is the minimum expected rate of return that is usually earned by businesses of the same line over a period of time. In most cases it is given in the questions but if it is not given in the question then we determine the normal rate of return based on normal profit of the business and total capital employed.

**Goodwill = Super Profits\* No of Years Purchase**

- **Annuity Method of Goodwill**

The annuity method of valuation of goodwill uses the average super profit over a specific number of years. The current value of an annuity is found on the basis of a discounted amount of super profit at the established rate of interest.

- **Number of Years Purchase Method**

Under this method, the super profits for a definite number of year purchase is calculated for finding the value of goodwill.

- **Capitalization Method**

It takes the following two forms:

- **Average Profits Method**

It is calculated by the deducting the actual capital employed from the average profits of the capitalized value. It is based on the normal rate of return.

(Capitalized average profits = Average profits X 100 / Normal rate of return)

Actual capital employed

= Total assets (excluding goodwill) – Outside liabilities

**Illustration**

Calculate the value of Goodwill on the basis of 2.5 years of purchases of average super-profits earned during the mentioned seven years. The Capital invested in the firm is 6, 00,000, and the Normal rate of return in the same industry is 10%. The net profit for the last seven years is-

**Solution:** Calculation of Actual Average Profit

Total of Profits = 10,000 + (35,000) + (20,000) + 125000 + 135000 + 150000 + 160000 Total of Profits = 525000 Average Profit = Total Profits/No of Years Purchase Average Profit =525000/7 Average Profit = 75,000

Calculation of Normal Profit Normal Profits = Capital Invested \*Normal Rate of Return/100

Normal Profit =600000\*10/100 Normal Profit = 60000

Calculation of Super Profit Super Profit =Average Profit-Normal Profit Super Profit = 75,000 – 60,000

Super Profit = 15,000

Calculation of Firm's Goodwill:

Goodwill=Super Profit \*Number of Year Purchase Goodwill

= 15,000 X 2.5 Goodwill = 37,500



**Example of Capitalization Method**

The following illustration will help in understanding the concept of capitalization of average profit method more clearly. Bhatt and Sons earn a profit of 90,000 by infusing a capital of 500,000. The normal rate of Return is 15%. Determine the value of goodwill by using capitalization of super profit method.

Solution Normal profit = Capital employed x Normal rate of return / 100 = 5,00,000 x 15/100 = 75,000

Super profit = Average profit – Normal Profit = 90,000 – 75,000 = 15,000

Goodwill = Average of annual super profit x 100 / Normal Rate of return  
= 15,000 x 100 / 15 = 1,00,000

**Conclusion**

Basically goodwill has no physical form yet it has value for the company. A company's goodwill is influenced by a number of variables like profit trends, firm location, capital requirements and owner reputation etc. The value of Goodwill increases with the passage of time.

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