F.Y.B.Com

ELECTIVE COURSES (EC)- DISCIPLINE RELATED ELECTIVE (DRE) COURSES

UBCOMFSI.2- COMMERCE I

Course and Programme Co-ordinator : **Ms. Madhura Kulkarni**
Asst. Prof-cum-Asst. Director, IDOL,
University of Mumbai, Mumbai-400 098.

Editor : **Ashok Mahadik**
Lala Lajpatrai College,
Mahalaxmi, Mumbai - 400034.

Course Writer : **Dr. S.G. Sagar**
Vice Principal,
S.B. College, Shahapur,
Dist. Thane.

: **Dr. B. B. Kamble**
Shri Chinai College of Commerce & Economics,
Andheri (E), Mumbai - 400069.

: **Prof. Sandeep Poddar**
Rajasthani Seva Sangh College of Arts &
Commerce, Andheri (E), Mumbai - 400059.

: **Prof. Natika Jain**
St. Francis Institute of Management & Research
Borivali (W), Mumbai - 400092.

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FYBCOM
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UBCOMFSI.2- Commerce I

Modules at a Glance

Sr. No.	Modules
1	Business
2	Business Environment
3	Project Planning
4	Entrepreneurship

Sr. No.	Modules / Units
1	**Business**
	• **Introduction:** Concept, Functions, Scope and Significance of business. Traditional and Modern Concept of business. • **Objectives of Business:** Steps in setting business objectives, classification of business objectives, Reconciliation of Economic and Social Objectives. • **New Trends in Business:** Impact of Liberalization, Privatization and Globalization, Strategy alternatives in the changing scenario, Restructuring and turnaround strategies
2	**Business Environment**
	• **Introduction:** Concept and Importance of business environment, Inter- relationship between Business and Environment • **Constituents of Business Environment:** Internal and External Environment, Educational Environment and its impact, International Environment – Current Trends in the World, International Trading Environment – WTO and Trading Blocs and their impact on Indian Business.
3	**Project Planning**
	• **Introduction:** Business Planning Process; Concept and importance of Project Planning; Project Report; feasibility Study types and its importance • **Business Unit Promotion:** Concept and Stages of Business Unit Promotion, • Location – Factors determining location, and Role of Government in Promotion.

	• **Statutory Requirements in Promoting Business Unit:** Licensing and Registration procedure, Filling returns and other documents, Other important legal provisions .
4	**Entrepreneurship**
	• **Introduction:** Concept and importance of entrepreneurship, factors Contributing to Growth of Entrepreneurship, Entrepreneur and Manager, Entrepreneur and Intrapreneur • **The Entrepreneurs:** Types of Entrepreneurs, Competencies of an Entrepreneur, Entrepreneurship Training and Development centers in India. Incentives to Entrepreneurs in India. • **Women Entrepreneurs:** Problems and Promotion.

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III

Question Paper Pattern

Maximum Marks: 100
Questions to be set: 06
Duration: 03 Hrs.
All Questions are Compulsory Carrying 15 Marks each.

Question No	Particular	Marks
Q-1	Objective Questions A) Sub Questions to be asked 12 and to be answered any 10 B) Sub Questions to be asked 12 and to be answered any 10 (*Multiple choice / True or False / Match the columns/Fill in the blanks)	20 Marks
Q-2 Q-2	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-3 Q-3	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-4 Q-4	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-5 Q-5	Full Length Question ***OR*** Full Length Question	15 Marks 15 Marks
Q-6 Q-6	A) Theory questions B) Theory questions ***OR*** Short Notes To be asked 06 To be answered 04	10 Marks 10 Marks 20 Marks

Note:
Theory question of 15 marks may be divided into two sub questions of 7/8 and 10/5Marks.

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Unit -1

BUSINESS

Unit Structure :

1.0 OBJECTIVES

After studying the unit the students will be able to:

- Know an overview of business.
- Understand the meaning, nature/features of business.
- Study the various functions of business.
- Elaborate the scope of business.
- Know the importance of business to the various parties.
- Understand the changing concept of business.

1.1 INTRODUCTION

Business is derived from the English word “bisig” literally means a state of being “busy”. It is a part of social system. Every action taken in a business is related to the external world around it. Every individual in a society is related to the business activity. It is a gainful human activity. It is concerned with creation, exchange and possession of wealth.

Business is an economic activity. It is concerned with the use of resources to produce goods or services. It also involves exchange of things. Every individual has to satisfy the wants of food, clothing and shelter for survival, No one can produce all the things which he or she wants to use. Therefore we have to depend upon others i.e. businessmen. Even a businessman has to buy goods from other businessmen for his own consumption. Thus, business activities are concerned with production, and distribution of goods and services.

1.2 MEANING OF BUSINESS

According to B.O. Wheelar, “Business is an institution organised and operated to provide goods and services to society under the incentive of private gain.”

According to L.H. Haney, “Business is a human activity directed towards producing or acquiring wealth through buying and selling activities.”

1.3 NATURE/FEATURES OF BUSINESS

The main important features of business are as follow:

1. Economic activity :

Business is a form of an economic activity. It is the fruitful occupation for millions of people around the world like traders, bankers, industrialists, manufacturers and many more including professionals and those employed.

2. Regularity in dealing :

Business activity is carried out regularly. It is not merely sale or exchange but the regularity or continuity of such dealings that constitutes business. A single transaction does not constitute business. The production or exchange of goods or services for a price is undertaken regularly and continuously in business.

3. Profit motives :

Business is an income oriented activity. Every businessman expects profit from the transactions. The main object of business is to earn profit. Businessman earns profit from the business transactions and the buyer satisfies his wants of goods and services.

4. Organized activity :

Business is an organised activity concerned with production and distribution of goods and services. A firm must conduct consumer research to identify consumer needs and wants. There is a constant need to monitor customer needs and wants, and accordingly produce and distribute goods and Service. Business has to be conducted systematically with continuous research and development. It should be organized in a systematic manner so that business objectives can be achieved successfully.

5. Degree of scale :

Business can be undertaken at varied degree of seals of operation. Some firm like Sole trading concerns may undertake business on a small scale and that too in a local area. However, some firms, like joint stock companies may undertake business on a large scale, even at a global level.

6. Risk and Uncertainties :

Business activities are always risky and uncertain. A business is likely to suffer huge loss due to a number of possible reasons such as change in fashion, tastes, preferences, government policies, technology, recession in the economy, natural calamities etc. All business risks can't be insured. A business, however, can minimise risks through proper foresight and planning.

7. Societal Interest :

At present, business firms place emphasis on "societal concept" of business. Business make efforts to preserve and promote customers' and society's well-being. Business unit try to achieve a balance between profit + Consumer satisfaction + public Interest. Therefore, increasing efforts are made to produce eco-friendly products to satisfy consumer.

8. Social Responsibility :

Professional business firms are conscious of their social responsibility. The firm try to fulfill their social responsibility towards various groups. It needs the support of the groups i.e. investers, employees, consumers, creditors and so on. It can't function without an active participation from these social groups. This feature of business in getting more importance in today's era of a globalization.

9. Customer Satisfaction :

Modern business world is a consumer oriented. Customer is the King and Centre of all marketing activities. Professional business firms adopt customer oriented approach in their business operations. Business firms give importance not only to profit earning but also to customer satisfaction. Customers would be satisfied only when they get real value for their purchases. Business firms have to take care of not only customer satisfaction but also have to delight the customers by providing better and additional services.

10. Creative :

Modern business is creative in nature. These days, consumers can't be satisfied with the same type of goods and services. Hence business organizations have to be innovative or constantly search new ideas and proposals.

11. Dynamic :

Business is a dynamic activity. There is a certainty of change in business Dynamic forces are at work from day to day. Within business new products, methods, innovations in management cause ever changing adjustment of policies and administration.

From outside forces such as government regulation, war, changing consumer income and new development in science and an art.

12. Government Control :

Business organizations are subject to government control. The government of each country enacts laws and regulations to control and regulate business activities. Business organisations are expected to adhere to such laws.

13. Buying and Selling :

All business activities are directly or indirectly connected with transfers or buying and selling of goods and services. Business is useful to buyers and sellers. Businessmen as Seller of goods and services, provide convenience and satisfaction to buyers through provision of form utility, place utility and time utility. In return for the supply of utilities, businessmen receive profit benefit from the buyers.

1.4 FUNCTIONS OF BUSINESS

Functions refer to series of activities or tasks performed to achieve pre determined objectives. For the smooth conduct of business activities, there is a need to perform certain important functions. These functions are as follows.

1. Purchase and store keeping :

Business firms have to make a series of purchases for conducting business activities. Such purchases include the buying of raw materials, components, spare parts, movable and immovable, assets relating to the functioning of the business activity. Traders purchase finished goods in order to sell these.

An allied function would be to store the raw materials purchased for which a separate and special facility has to be provided. Care must be taken to maintain proper inventory of materials. Over stocking of material block the working capital on the other hand, under-stocking blocks the production cycle. Further, there must be a proper stock of finished goods so as to distribute them as per the delivery schedules.

2. Production :

Production means conversion of raw material in to semi finished or finished product. The production department deals with activities like design of the operations system (product design, process design, and location of facilities, facilities layout and capacity planning) and operation and control decisions (routing, loading, scheduling, dispatching and expediting).

3. Marketing Function :

This function is concerned with, Controlling the level and composition of demand. If deals with creating and maintaining demand for goods and services produced by the production department. It determines physical attributes of the product, fixes its price, motivates consumers to buy the same through advertisement, personal selling and Sales promotion and determines the path through which goods will be transferred from sellers to buyers.

4. Finance Function :

This function deals with obtaining and effectively utilising funds necessary for efficient Operations. It ensures that right amount of finance, at right cost and at right time is available for carrying out business Operations. It also deals with investment of funds in long-term assets and short-term assets to ensure smooth business functioning.

5. Personnel Function :

This function deals with effective utilisation of human resource. It aims at selecting right persons at the right place i.e. jobs and motivating them to work through team work and co-operate to achieve organizational goal. They have to do the work with commitment and loyalty.

6. Research and Development:

Research and Development plays an important role in product development. It helps to bring out product modifications and product innovations. Business firms need to spend a good amount of time on research and development activities. Many professional business firms set up a separate department for research and development activities to make change in the business as per the requirement.

7. Public Relations :

There is a need to maintain good public relations with the various sections of the public. Therefore, it makes a good sense to maintain separate department to look after public relations, especially in the case of large firms. It handles public queries, media queries, interviews, complaints etc. It develops the good public relation and bring positive image in the minds of the customer about the business, firm.

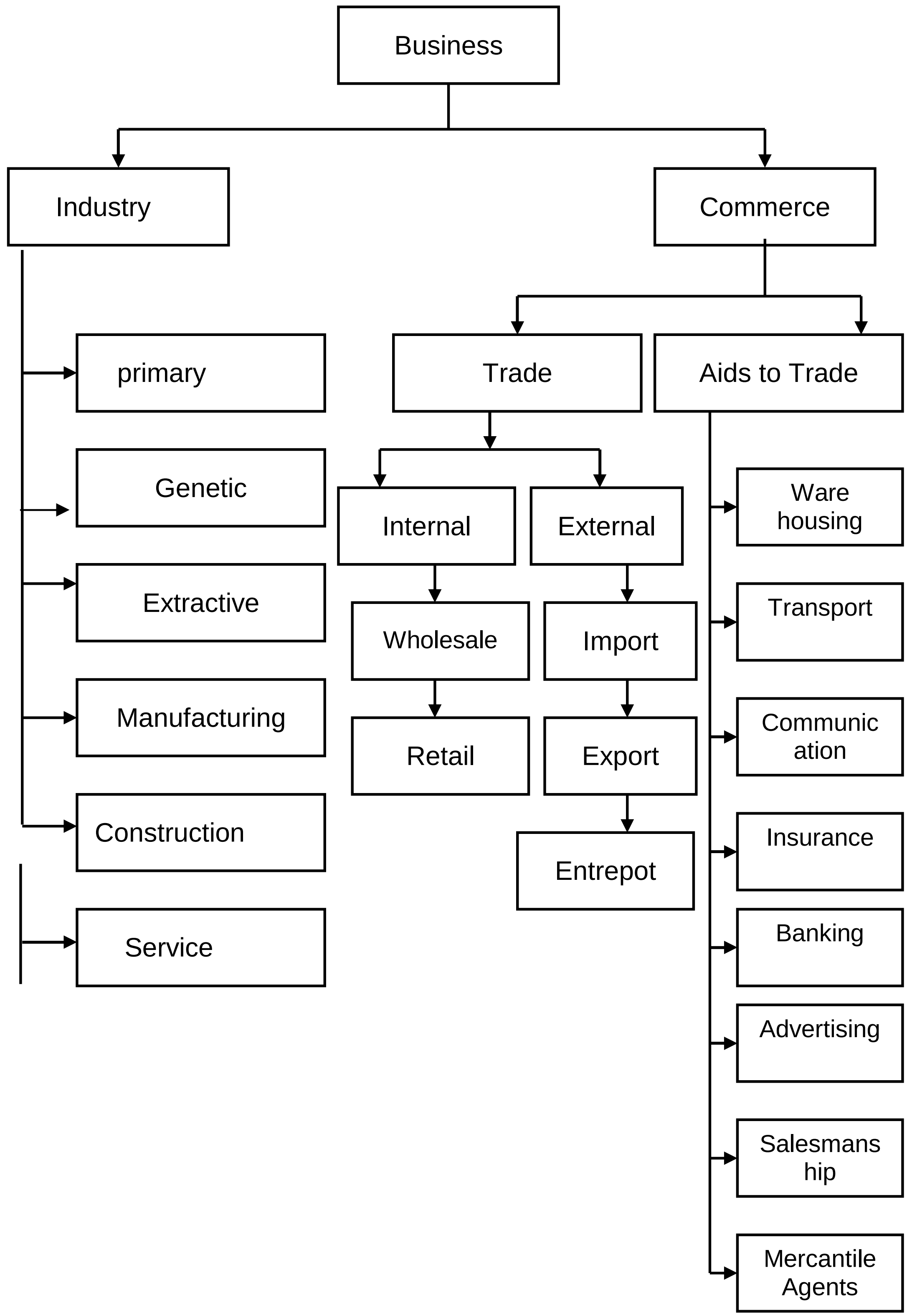
8. Sales Function :

The Sales department works in close co-ordination with the marketing department. The sales department is concerned with the Selling activities of the firm. It books orders from the customers and then distributes the goods through the distribution channels. This is one of the most important functions of business, through which satisfied the consumers needs and wants.

1.5 SCOPE OF BUSINESS

Business has a very wide scope. It includes large number of activities. These activities may be grouped under Two broad categories i.e. Industry and commerce.

The Scope of business shown in the following table.



I. Industry :

The term industry refers to that part of business activity which directly concerns itself with production, processing or fabrication of goods and services. It creates form utility. In industry, raw materials are converted in to finished products, which can be used for consumption. Some industries manufacture consumer goods while others manufacture capital goods.

Following are the various types of industries-

a) Primary Industries-

These industries are engaged in the production of primary goods, such as rice, cotton, fish etc.

The best examples of this type of industries are Agriculture, fishing etc.

b) Genetic Industries :

`Genetic industry involves breeding and reproduction of plants and animals for the purpose of sale. Poultry, Plant nurseries, sericulture etc. are examples of genetic industry. The price of products available from such activities is generally less.

c) Extractive Industries :

Extractive industries extract valuable minerals, ores etc. from the natural elements like soil, water and air. These industries are concerned with the discovery and utilisation of natural resources such as minerals and forests.

d) Manufacturing Industries :

Manufacturing industries are concerned with the conversion of raw material into finished goods. They create form utility. The products of primary and extractive industries such as cotton, iron-ore, crude oil, etc. are used as a raw material in these industries.

e) Construction Industries :

Construction industries are concerned with the construction work like construction of bridges, dams, canals, roads, harbours, building etc. These industries do not operate in factory buildings but at the site allotted..

f) Service Industries :

Service industries produce intangible goods i.e. goods which can't be seen or touches for example transport, insurance, banking etc. These services are essential and useful for the expansion of business.

II. Commerce :

Commerce involves all those activities which facilitate transfer of ownership and movement of goods from the centers of production to the centers of consumption. In other word it involves all forms of trade and the services that assist trading. Commerce include trade and aids to trade.

A) Trade :

Trade means buying and selling of goods and services. It involves transfer of ownership of goods from the seller to buyer against money. In other words, trade is an exchange of goods and services for a price which the consumers are ready to pay. Consumers may be an individuals, government and industries who need raw materials.

1. Internal Trade :

Internal trade is also known as home trade. It is conducted within the country. It can be at local level, regional level or national level.

a) Wholesale trade :

It involves buying in large quantities from producers and selling in smaller lots to retailers. The wholesaler is a link between manufacturers and retailers.

b) Retail Trade :

Retail trade involves buying in smaller lots from the wholesaler's and Selling in very small quantities to the consumers for personal consumption. The retailer is the last link in the chain of distribution. He established a link between wholesaler and Consumers.

2. External Trade :

The trade carried on between the traders of two different countries is called external trade. It is also called as International trade or foreign trade. It includes following trade.

a) Export Trade :

Export trade involves selling of goods from one country to another. For example, when goods are sold from India to America.

b) Import trade :

Import trade involves buying of goods from a Seller of another country. For example, a buyer from India purchases goods from a seller of china.

c) Entrepot trade :

When goods are imported from one country and then re-exported to some other country, it is called entrepot. For example an Indian trader may buy goods from Bangladesh and then sell it to Pakistan.

B) Aids-To-Trade

Aids to trade constitute another component of commerce. Aids to trade include various agencies which are useful for the conduct of trading activities. There are as follows.

a) Warehousing :

There is a time gap between production and consumption. However, goods which are produced at one time are not consumed at the same time. Hence, it becomes necessary to make arrangement for storage or warehousing. Agricultural commodity like wheat and rice are seasonal in nature but are consumed throughout the year. On the other hand goods such as Umbrellas and woolen cloths are produced throughout the year but are demanded only during particular seasons. Therefore goods need to be stored in warehouses till they are demanded.

b) Transport :

There is a place gap from the place of production to the place of consumption. Goods are produced in one part of the country and Consumption in other parts of the nation. Transport fills the place gap. It meets out the gap between producer and consumer. It helps the manufacturer to expand their markets from local to regional, regional to national and national to global.

c) Communication :

Communications facilitates transfer of information. It involves transfer of messages from one person to another and from one place to another. It can be in oral or writing form of information. Oral communication can take place through telephone or personally. Written communication is possible through letter, fax, e-mail etc. It facilitates quick transfer of messages to take important decisions quickly.

d) Insurance :

Insurance reduces the problem of risks. Business is subject to risks and uncertainties. These are inevitable in the field of business. Risks may be due to fire, theft, accident or any other natural calamity. Insurance companies who act as risk bearer cover risks. Insurance tries to reduce risks by spreading them out over a greater number of people. The rate of premium depends upon the type of risks and the period for which the risk is covered.

e) Banking :

Banking solves the problem of payment and facilitates exchange between buyers and sellers. Lending and borrowing the funds are the traditional functions of the banks. Banks provide short, medium and long term loans to the needy people. Other functions have started gaining importance such as merchant banking, development banking, credit cards etc. This has further facilitated to trade.

f) Advertising :

Advertising as a powerful marketing tool of communication is highly useful to the manufacturer, retailers, consumers and the society at large. Advertising is basically designed to inform, create interest and induce people to act in a particular way. It can be used for communicating both commercial and non-commercial messages. It creates awareness of the product and builds a good brand image in the minds of consumer and society at large.

g) Salesmanship :

Salesmanship refers to personal presentations by the firm's sales force for the purpose of making sales and building customer relationships. It facilitates personal selling. The salesmen provide information to the buyers. They convince and persuade buyers to buy goods.

h) Mercantile Agents :

In the process of distribution, producers and consumers are unable to have direct contact, as consumers are spread over a vast area; mercantile agents remove this difficulty of personal contact. Mercantile agents are the intermediaries who form a link between the buyers and the sellers. They do not carry business in their own name. These are several types of mercantile agents such as brokers, commission agents, auctioneers, underwriters, insurers, etc.

Check your Progress

1. Define the following terms
   a. Business
   b. Trade
   c. Entrepot trade
   d. Aids-To-Trade
   e. Mercantile Agents
   f. Internal Trade
   g. Production
2. Draw the table showing the Scope of business.
3. Enlist the main feathers of business.
4. Explain the following functions of business:
   a. Store keeping
   b. Marketing
   c. Finance
   d. Personnel

1.6 SIGNIFICANCE OF BUSINESS

Business is useful to the society in general and the business firms and consumers in particular as it create utilities. Let us see the benefits it offers to various groups. There are as follows.

I. Significance of Business to the Firms :

Business plays very important role to business firms. The manufacturer, marketers, traders and even service providers get benefit from business.

Following are the significance of business to business firms.

a) Accomplishment of objectives :

Business helps the firms to achieve its various objectives. It creates utility by creating goods and services. These goods and services are consumed by the people for the satisfaction of needs and wants. Thus with increased sales firms can achieve the objectives, like increase in sales, increase in profit etc. Besides earning profits firms are able to achieve its other objectives such as increase in market share, growth and expansion, creating goodwill etc.

b) Improvement of knowledge and skill :

Managing business, interacting with people, trying to develop new methods and techniques etc. It helps in improving the knowledge and skills of the employer and employees involved in business. This ultimately benefits to the business organisation as the overall functioning of the business firm improves.

c) Expansion of business :

Healthy and sound business practices help the organisation to grow and expand its activities. Firm can introduce new and better products in the market and can expand its activities. Firm can also expand its area of market operations. Market expansion can be right from local to international level.

d) Product Development :

Business undertakes marketing research and product research activities regularly for the purpose of product development. Due to these research and development activities, firms are able to introduce new, innovative and better products in the market. Thus advanced products benefit to the consumers as well as business firms.

e) Improve Relations :

Sound business practices improve relations of a firm with various sections of the society. Business firms need to maintain good relations with dealers, suppliers, customers, government authorities, media people, and society in general. The survival and success of business is depends upon the business relations with the stakeholders.

f) Corporate Image :

Business helps the organisation to create and improve corporate image in the market. Business can create a good reputation about itself in the minds of employees, shareholders, investors, consumers, government and general public. Corporate image is vital to any organisation, as it enhances marketing, financial and social value of a firm. Corporate image helps the forms for long term Survival.

g) Optimum Utilisation of Resources :

Resources are the basic inputs which are necessary to produce goods and services. The resources are limited and in short supply. Hence, it should be used in such a way that it will ensure minimum use and maximum output. In achieving its goals business ensures optimum use of scarce resources by utilising it in most profitable areas. Sound business practices enable a firm to make optimum use of resources.

h) Increase in market Share :

Every organisation desire of increasing its share in the market. Increase in market share brings in more profits, more respect, better image and increase in market value of shares. Sound business practices enable a firm to increase in market share and create more goodwill in the market.

i) Increase in profit :

Every business is subject to risk and uncertainties. Profit is the reward for their risks undertaken by the businessman with the help of business activities a business firm able to earn profits. Profits play a role of return on the investment done by businessman.

II) Significance of Business to Consumer:

Business plays a significant role in respect of consumer. Following are the significance of business to consumers.

a) Better quality of goods and services :

Now a days, competition has increased tremendously. To face this competition, firms try to make every possible effort to improve the quality of goods and services. Business firms make available quality goods and services required by consumers. Business provides better quality of goods and services to the prospective buyers.

b) Reasonable price :

Today's market is a consumers' market where supply exceeds demand for products. In order to attract consumers, business firms offer quality goods and services at competitive prices. They try to offer value for money. Business provides goods and services at right prices.

c) Better facilities and Services :

Every business wants to survive in the competitive business world. It tries to provide better facilities and services to the customers at low cost. The services like after sale-service, free home delivery, extended warranties, Sale on installment basis, zero rate of Interest etc. are provided by the business firms. Due to these facilities and services customers are benefited to a great extent.

d) Customer Satisfaction :

Modern business has become consumer oriented. Moreover, in order to survive and grow, business organisations thrive to provide consumer satisfaction. Their objective is to retain the old customers as well as to find new customer. Some professional business firms go a step forward to delight its customers by providing additional facilities.

e) Higher Standard of Living :

Business generate employment in areas of production, distribution, banking, transport and so on. This increases the level of income and create additional demand for product in the market. This in how business generate demand which in turn result in more jobs and income which finally result in satisfying the number of human wands and increase their standard of living.

III) Significance of business to society :

Business plays a significance role towards the society. Following are the significance of business to the society.

a) Economic Growth :

Business activities facilitate economic growth in the country. It undertakes expansion and diversification activities. New products and services are offered to consumers constantly. New business firms are set up thereby leading to accelerated rate of growth.

b) Regional Development :

Business firms facilitate to bring about regional development. Government encourages business firms to start operations in under developed areas by giving tax benefits, duty concessions and so on. This leads to a balanced regional development.

c) Revenue to the Government :

Business firms provide substantial revenue to the government. Business sector provides revenue through taxes, duties, customs duty, sales tax, corporate tax, Octroi etc. contribute to the income of the government. The government can also generate revenue by way of profits earned by public sector units.

e) Employment Opportunity :

Business provides employment to number of people. It provides employment in the activities such as production, distribution, marketing, promotion of products, and so on. It is thus a source of employment to the people. A large section of the population of the world earns its regular income by means of business.

e) Social Welfare :

Business helps in social welfare of the society. It can be in the form of starting schools and Colleges, providing donations for starting hospitals, sponsoring various sports and cultural events and so on. In other words they undertake various social welfare programmes and there by reduce the burden of the government.

f) Capital Formation :

Business facilitates capital formation in the country. Capital formation takes place as a result of savings and investment in the country. All those connected with business i.e. business firms, employees, traders, service providers and other save part of their income earned from business. These savings are put into investments. These investments lead to capital formation in the country.

g) Global Relations :

Business helps to maintain good and cordial relations with other countries. This is because of foreign trade. Foreign trade enables countries to be dependent on each other, which in turn helps to develop good and friendly relations among participating countries. Sound business tries to build a cordial relation with other countries.

1.7 TRADITIONAL AND MODERN CONCEPT OF BUSINESS

Traditional Concept of business	Modern concept of business
a) Meaning As per the traditional concept, business means production and marketing of goods and services for private gain.	As per the modern concept, business means provision of goods and services for the satisfaction and welfare of consumers and the society at large.
b) Scope The Scope of business was restricted to local market.	The scope of business covers national and even global market.
c) Objectives The Objectives of business was profit. Business was treated as the end in itself. It was production and distribution for earning profit.	The Objectives of business is consumer satisfaction and service to society. Business is treated as a means to serve the society and rise social welfare.
d) Position of Consumer Consumers were neglected and were taken for granted. They were exploited for profiteering. No attention was given to consumer welfare.	Consumers are given priority and business is adjusted as per the needs and expectations of consumers. Consumer welfare is given special attention.
e) Social Orientation Social orientation to business was absent.	Business is treated as social institution with social obligation.
f) Social Responsibility The concept of social responsibility was absent. Business was not socially responsible.	Business accepts and honors social responsibilities. It is treated as an integral part of social system.
g) Nature of concept It is treated as old, outdated and narrow concept as business is treated merely as profit making activity.	It is treated as dynamic and broad concept as it is given social orientation. It is for the satisfaction of human wants.

h) Role of profit	
Profit was the sole purpose in business. Profit alone was the guiding principle in business.	Profit is given secondary position. Profit through service is the guiding principle in business.
i) Type of Orientation	
Traditional concept was businessman oriented i.e. profit oriented. Limited importance was given to consumers and social welfare.	Modern concept is social oriented i.e. consumer oriented. Special importance to consumer satisfaction and social welfare and not merely to profit making.

1.8 SUMMARY

From this chapter it is clear that business is an economic activity which mainly aims at profit making. Modern concept of business tries to have balance between profit making, customer satisfaction and social Interest. Business activity is important to various parties like business, customer, employees, society as well as nation. Thus modern business tries to become a social entity because business is a social system.

1.9 QUESTIONS FOR SELF-ASSESSMENT

a) Define business. Explain its features.
b) Explain the functions of a business.
c) Explain briefly the scope of business.
d) Discuss the significance of business to the firm.
e) What are the significance of business to the customer?
f) Explain the Significance of business to the society.
g) Distinguish between traditional and modern concept of business.

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Unit-2

OBJECTIVES OF BUSINESS

Unit Structure

2.0 OBJECTIVES

After studying the unit the students will be able to:-

- Understand business Objective
- Define business Objective
- Explain the steps in setting business Objectives.
- Study in detailed the classification of business Objectives.
- Know the reconciliation of economic and social Objectives.

2.1 INTRODUCTION

Every business unit should have certain well-defined Objectives. It should conduct various activities in order to achieve such objectives. Profit making, social recognition and business growth are some universal business Objectives. Objectives indicate the destination towards which the business unit desire to move. Running a business unit without well-defined objectives is like travelling without fixed destination. Objectives are the end points towards which the organisation has to move forward. They provide the spotlights over the route along which business activities are to be organized and efforts are to be directed. Business Objectives are not stable over a long period. In fact, they are redefined from time to time as per the environmental changes.

2.2 DEFINITION

According to D. E. Mc. Farland,

"Objectives are the goal, aims or purposes that organisations wish to achieve over varying period of time."

2.3 STEPS IN SETTING BUSINESS OBJECTIVES

Following are the steps involved in formulating business Objectives.

1) Analyse Internal Environment :

An analysis of internal environment helps in fixing realistic Objectives. Internal environmental factors include human resources, financial resources, physical facilities, management structure, internal relationship etc. must be studied, such an analysis helps in understanding strengths and weaknesses of the organisation. The Organisation needs to make every possible efforts to correct weaknesses and to improve the strengths of the organisation.

2) Analyse External Environment :

The Organisation also needs to analyse the external environment. It includes customers, suppliers, competitors, political, economic, social, technological, natural and so on. Such an analysis reveals the opportunities and threats created by the environment such analysis would help the organisation to grab the opportunities and to minimize or defuse the threats.

3) Considering resources of the Organisation :

Setting objectives of business depends on the availability of human and non-human resources with in the business. These resources should be properly considered. The proper consideration of these resources results into optimum utilization of resources, reduction in wastages, reduction in cost and increase in profitability.

4) Consider value System :

The values system followed influences the functioning of the business organisation to a great extent. Value System is a set of consistent ethical values followed by an individual or an organisation. While setting objectives, value system must be considered.

5) Consider management philosophy :

Management philosophy also affects setting of business objectives. A management that adopts on orthodox approach uses traditional and old fashioned practices to carry on its business. Objectives set by such a management would differ from those set by professional management.

6) Awareness of past Objectives :

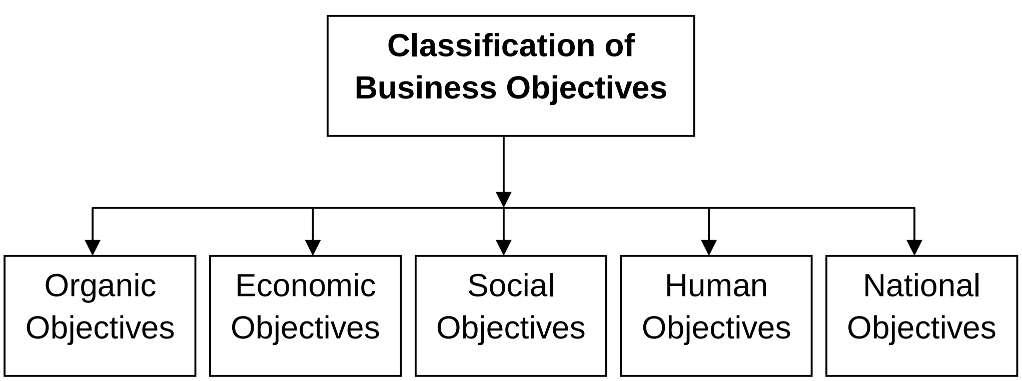
Past Objectives and achievements of the organisation serve as guidelines for formulating future objectives. Normally an organisation does not deviate too much from the past objectives while setting objectives.

7) Setting of objectives :

After analysing the internal and external environment, the firm should set the objectives in all the areas. Long term and short term objectives must be set. Further, these must be set on the basis of priority. Once the objectives are decided, it must be inform to the all personnel.

2.4 CLASSIFICATION OF BUSINESS OBJECTIVES

Business objectives are many and varied in nature. The success of any organisation depends on how well these are balanced. Business objectives can be broadly classified into five major categories. These have been depicted by a chart given below.



A) Organic Objectives or Threefold Objectives of business :

The organic objectives also called as three-fold objectives of business. Organic objectives are the primary objectives relating to a firm. Every firm has to give attention to three basic objectives. These Objectives are as follows-

1) Survival :

Survival is the basic objective of every organisation. Other objectives can be thought of only if the organisation survives. Due to globalization, liberalization and privatization, the business environment has become extremely competitive. Further, technological advancements and changing consumer behaviour has made the business environment complex. This has made survival extremely difficult. Constant monitoring of the business situation and strategic planning are necessary for survival in the competitive business environment.

2) Growth :

Growth is the second major organic business Objective. Business should grow in all directions over period of time. Growth takes place through expansion or diversification. Expansion involves increase in business by introducing a product which is similar to the existing product line of the business. While diversification involves introducing a product which is totally different.

Growth brings more profit, opportunities for advancement, better utilisation of resources, reputation and goodwill etc. In fact, growth is required for survival 'Grow or Perish' is the requirement of the day which means if the organisation is not able to grow it will be droop out from the market.

3) Recognition and Prestige :

Every business organisation desires to have social recognition and prestige. This objective is partly economic and partly social. Prestige of an organisation is due to standard quality of its products, regularity in their supply, reasonable prices and satisfactory service to customers. Recognition indicates public confidence on an organisation. Such recognition is possible only after a long period of useful service to the society.

Business organisations are not satisfied only with profit and growth. It desire to create goodwill and good image in the market. It has publicity and promotional value. A business organisation wants popularity among consumer's, dealers, employees and local community. For this, it has to provide financial support to social, cultural and other activities. In addition, it must be fair and liberal with different social groups.

B) Economic Objectives of business :

The main economic objective of business is profit. To earn profit, there are several other economic objectives, which are to be accomplished. The important-economic objectives of business are as follows.

1) Profit :

The main economic objective of business is to earn profit. Business activity is primarily undertaken for earning profit. It enables a business to realise other objectives of business. Profit is the main motive of all business activities and is necessary for survival, growth and prestige of an enterprise. Profit is an indicator of business performance and a sign of efficiency. It is a reward for bearing risk and uncertainty in business. It is a lubricant which keeps the wheels of business moving.

2) Creation of Wealth :

Creation of wealth is one of the important objectives of business. Creating wealth involves increasing the wealth of the shareholders. It happens only if the business grows steadily whereby the shareholders get higher dividends and there is an appreciation in the market value of the shares.

3) Creation of Customer :

The purpose of business is to create a customer. Customer is the foundation of a business. Business has a important human obligation. Profit can't be earned only by producing the goods. Every businessman has to find customers for high goods or services. Thus, the objective of the business should be to identify the customer for their goods and services. This requires creation of customer in the market and distributes goods and services.

4) Innovation :

Innovation means to bring new methods, new ideas and concepts and modern efficient techniques. It mean something new and creative. It is useful in improving quality, reducing costs and satisfying the customer better. It is a continuous process. In order to survive and succeed in today's competitive business environment, a business organisation needs to be innovative.

5) Utilisation of Resources :

Effective utilization of resources is the most important economic objective of a business enterprise, It is expected to utilise available resources fully i.e. to the optimum level. The resources available with an enterprise may be limited but they must be utilized fully. The production capacity of plant, machinery, and equipment must be used fully wastages of all kinds should be avoided or minimized. Modern technology should be used for more production and Superior quality production. It leads to bring down the cost of production.

6) Expansion of Market :

A business firm may aim at entering in to new market. i.e. domestic as well as in international market. This would enable the firm to survive during recession grow and also gain reputation not only in the domestic markets but also in the international market. A business enterprise may increase its market share by effective distribution network, maintaining good relations with dealers, effective advertising and publicity, providing effective and efficient after-sale-service, effective sales promotion etc.

7) Growth of business :

Growth of business activities is one of the economic objectives of business. Growth is desirable for more production and turnover in business. Business expansion also gives advantages of large scale operations. Introduction of new products, setting new production unit, and use modern techniques of production are some methods useful for the growth of business activities. Such growth is necessary for meeting market competition.

8) New product Introduction :

A firm may aim at introducing new product lines or brands. The introduction of new products or brands would help the organisation in several ways i.e. increase its overall market share, face the competition effectively in the market, earn good amount of profit and so on.

C) Social Objectives Business :

Business is a part of a social System. A social system involves people and their Organisations in mutual relationship to each other. Business is an integral part of society.

Following are the social objectives of business

1) Social Objectives towards Customers :

The Survival and success of any business organisation depends on its cusumers. One universally accepted social objective of business is to satisfy consumers by providing goods and services as per their needs and expectations. Business activities are essential for meeting the needs of consumers. Business have to supplied quality good at reasonable price to the customer.

2) Social Objectives towards Employees :

The Social Objective of a business firm towards its employees is to treat them with respect and provide them with the right compensation and facilities. Business should provide better wages, working conditions, good treatment to the employees. It also provide monetary and non-monetary benefits for satisfaction of the employees. This also ensures industrial peace and harmony.

3) Social Objectives towards shareholders :

Shareholders invest their money in the business in the form of shares, debentures bonds etc. The basic objective is that the shareholder should receive a fair, return on their investment. The Objective of the business is to utilise efficiently the money of the shareholder and give them fair return on their investment in the form of dividend a interest.

4) Social Objectives towards Government :

A business organisation can't function smoothly without the support and co-operation of the Government. Hence, it becomes necessary on the part of the organisation to fulfill its social duties towards the government. These include payment of taxes and duties, following the rules and regulations framed by the government from time to time, contributing towards the welfare activities of the government and so on.

5) Social Objectives towards Suppliers :

The suppliers can play an important role in the success of an organisation by Supplying the right quality and quantity of material at the right time. Therefore, a business firm needs to have social objectives towards supplier in respect of timely payment of dues. Helping the suppliers in their financial requirements by making advance payments.

6) Social objectives towards Dealers :

Dealers assist business firm by promoting and pushing goods and services in the market at the right time at the right place. It is one of the basic social objectives that goods of special quality be produced and supplied. If this basic demand of the society is met, the business may survive in the long run.

7) Social Objectives towards Society :

Business organisation gain profit because of the support of the society. Naturally, they are expected to provide financial support for various social, educational and cultural activities. This is also necessary for maintaining cordial relations with the society. Business organizations must also support social welfare programmes.

D) Human Objectives of business :

One of the objectives of business is to look after the interest of the people who make business successful. It has been widely recognised that human beings should be treated as an individual. Businessman should have parental approach towards human being.

Following are the human Objectives of business.

1) Fair wages :

Employees should be treated as human beings first and then as workers. The employees should be paid fair wages. Apart from this, they should also be given other monetary and non-monetary benefits, incentives and other facilities.

2) Better working condition :

The working conditions provided to the employees must be hygienic. Good lighting ventilation, good recreation facilities, better labour management relations etc. provide a healthy work atmosphere. This is necessary so that the health of the workers is not adversely affected.

3) Workers participation in the management :

Workers participation in the management has been recognised. Their representation in the management may create healthy co-operation. The problems and disputes can be solved on human grounds. This enables both employees and managers to understand each other's problems and improve relations.

4) Human Resources Development :

The management must undertake human resource development programmes. Necessary training should be given to the employees to improve their skills. Suitable conditions should be created to enable them to use their latest talents like creativity, communication skills, decision-making ability etc. This develops their overall personality, which ultimately benefits to the organisation.

5) Job Satisfaction :

Business enterprise should provide challenging and interesting job opportunities to the employees. If Jobs are routine and less challenging, then it brings boredom and may lead to labour turnover and absenteeism. Jobs can be made more challenging and interesting through techniques like job enlargement, job enrichment, Job rotation etc. Some times promotions and transfers can also be used to bring job satisfaction.

6) Motivation :

The employees should be motivated to work hard. This can be done by offering monetary and non-monetary benefits to them. Monetary rewards includes high salaries, housing allowance, car allowance etc. while non-monetary incentives includes appreciation, recognition, promotions, Job title etc.

7) Welfare facilities :

The Organisation should provide to its employees proper welfare facilities like canteen facilities, transport facilities, sports and recreation facilities, education facilities and so on.

E) National Objectives of business :

National objectives are the more Specific objectives of business. These are aimed at fulfillment of national needs and aspirations. The government has to implement the national plans and policies in accordance with the accepted priorities. Business organisation should consider these priorities, policies and plans making business decisions.

Following are the important national objectives of business.

1) Social Justice:

Social justice means providing equal opportunities to all, protecting the interest of neglected, unorganised and economically backward sections of the society and prevention of any sort of exploitation. For example, a business organisation should do social justice to its handicapped workers, and women employees.

2) Development of small scale industries :

Small scale industries are those that require less capital and generate more employment. In the present era of globalization, this sector is adversely affected; In order to boost this industry, big business organizations should assist the growth of small scale industries by purchasing raw material from them.

3) Self Sufficiency :

Every business organisation should make use of available natural resources and human resources for economic development. It should reduce the countries dependence on foreign countries by producing goods indigenously or by promoting exports and reducing imports.

4) Production as per National Priorities :

Business organizations must make efforts to provide the basic requirement of life i.e. food, clothing and shelter at reasonable prices. In other words, every business organisation should set its objectives after considering national priorities. Secondly, efforts should be made to reduce the nation's dependence on foreign countries. This could be done by undertaking production indigenously, promoting exports and reducing imports.

5) Social welfare :

Business Organisation may also support directly or indirectly welfare schemes in the society. The welfare schemes that business has to adopted i.e. adopting schools in backward areas, providing funds for rural development activities such as construction of roads, irrigation etc. organizing health camps etc.

6) Development of Backward Areas :

Business organisation can contribute towards development of backward areas of the nation. This can be done by setting up industries in such areas. Also, financial and technical assistance can be provided to units in such backward areas. The government, too, encourages the development of backward areas by providing lots of incentives such as tax holidays, low rates of taxation, tax exemptions and so on.

7) National Integration and communal Harmony :

Business organisation is referred as corporate citizens. Therefore, they should work for national integration and communal harmony. They should not support anti-social elements or communal forces who work against national integration. This is one of the most important national objectives of business.

8) Creation of Employment opportunities :

Business creates employment opportunities either directly or indirectly. In a country like India where unemployment and disguised employment are at a very high level, it is advisable for the industries to adopt wherever possible labour intensive techniques so as to employ more number of people and thereby reduce the number of people below the poverty line.

Check your Progress

1. Define the following terms:
    a. Objectives
    b. Three fold objectives of Business
    c. Economic Objectives
2. Draw the chart showing the classification of Business Objectives.
3. Enlist the steps in the process of setting of the business objectives.
4. Fill in the blanks:

a. National objectives of business are aimed at fulfillment of ---------------- and ----------------.

b. Motivation can be done by offering ------------ and ------------------ benefits to the employees.

c. Workers participation in the management is the -------------- objective of business.

d. Effective utilization of resources is the most important --------------- objective of a business enterprise.

e. The organic objectives also called as -------------------- objectives of business.

2.5 RECONSILIATION OF ECONOMIC AND SOCIAL OBJECTIVES

Business is a part of society and therefore, it has to meet its social obligations along with its economic objectives. It has to balance its economic and social objectives in order to satisfy the various parties or groups i.e. consumers, employees, shareholders, Government, Suppliers, Competitors and society.

The economic and social objectives can be reconciled as under-

1) Profit and consumer price :

An important economic objective is to earn more profit. This could be done not by charging high price but by increasing efficiency, reducing wastages, putting the available resources to optimum use, innovations etc. such strategies on the part of the management would enable them to charge reasonable price for the products. This is how a balance can be brought about between the economic objective of earning profit and the social objective of charging a reasonable price.

2) Profit and Research and Development :

A Business organisation needs to earn profit. A part of the profit needs to be invested in research and development. This would help the organisation to improve the quality. Improvement in quality would not only bring customer satisfaction but also higher sales to the business organisation.

3) Business expansion and social Interest :

Business organisation should bring expansion of business activities not merely for profit maximisation but for serving the customer better. However, expansion of business for securing the benefits of large-scale operations and passing on same portion of benefit to consumers is desirable. Expansion for generation of employment opportunities is also economically and socially desirable.

4) Profit and After-Sale-Service :

Business organisation needs to focus on after sale service, especially in the case of consumer durables. A part of the profit must be spent in training the after-sale-service work force. Additional after-sale-service work force may be appointed by the firm to provide better service to the customers.

5) Profit and shareholders' Interest :

Shareholders expect higher dividend, which is possible only if the profit are high. When the organisation earns higher profits, the employees may demand higher wages. Business organisation need to accept this fact and pay higher wages to the employees by co-relating their performance with the pay. This would motivate the employees to put in their best efforts. Simultaneously, the organisation should also pay higher dividend to the shareholders for the risk undertaken by them by investing in the company. Thus reconciliation between the two objectives could be brought out.

6) Profit and Employees welfare :

Business organisation makes profits due to the efficiency of its work force. Therefore business organisation needs to spend a part of its profits for the welfare of its employees by providing better facilities such as improved working conditions, additional welfare facilities, and increase in salaries etc.

7) Profit and Social Development :

Business organisation spends some part of profit for the social development activities. such as donations to schools, colleges, trusts etc. contributions to government at the time of natural climaties, floods, famines etc,. and for such other social activities.

8) Business expansion and Suppliers :

Business organisation needs support of suppliers for its business expansion plans. It should not try to exploit the suppliers. There are a good number of cases, where large business organisation exploits suppliers by delaying payment, demanding unreasonable higher discount etc.

2.6 DISTINGUISH BETWEEN ECONOMIC AND SOCIAL OBJECTIVES

Economic objectives	Social objectives
1) Meaning Economic objectives relate to financial aspects and are directly related to the survival, stability and growth of business.	Social objectives relate to social responsibilities and are directly related to welfare of different social groups.
2) Coverage Economic objectives include reasonable profit making, growth, introduction of innovation, reduction in the cost of production and marketing, business stability, prestige and recognition.	Social objectives include regular and continuous supply of goods and services, raising social welfare, support to community, pollution control and justice to investors, consumers and employees.
3) Closer to enterprises Economic objectives are closer to enterprises as they are useful for their survival.	Social objectives are closer to the society at large as they are useful for raising social welfare.

4) Priority Economic objectives are treated as primary objectives by business organisation.	Social objectives are treated as secondary objectives by business organisation.
5) Historical background Economic objectives have a long history and are universally accepted by the business community since long.	Social objectives are recent in origin but are not accepted in the right spirit by the business community.
6) Effects/Benefits Economic objectives bring industrial growth and create employment opportunities.	Social objectives raise social welfare and offer justice to different social groups.
7) Role Economic objectives bring financial soundness to business organisation.	Social objectives bring social support and recognition to business organisation.
8) Scope Economic objectives are limited in scope as they are related to an individual enterprise.	Social objectives are wide in scope as they are related to different social groups.
9) Effect of neglect Neglect of economic objectives brings financial difficulties. Even the survival of an enterprise may come in danger.	Neglect of social objectives leads to non-co-operation from social groups. This may also lead to social criticism and social control.

2.7 SUMMARY

The chapter business objectives explain that every organisation needs aims and targets which are to be achieved by conducting business activities successfully. Objectives give guidelines to the organisation for its activities. Every organisation has to keep eye on its objectives. The same time, organisation does not have only profit making as an objective but also social, national and human objective. Every Organisation has to keep balance between all the types of objectives while carrying on its activities. Modern business is considered as a socio-economic business activity.

2.8 QUESTIONS FOR SELF-ASSESSMENT

a) Discuss the steps involved in setting business objectives.
b) Bring out the classification of business objectives.
c) What are types of organic objectives?
d) Explain the classification of economic objectives.
e) Discuss various types of social objectives.
f) Evaluate important types of Human objectives.
g) Evaluate different types of National objectives.
h) How would you reconcile economic objectives with social objectives?
i) Distinguish between economic and social objects.

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Unit -3

NEW TRENDS IN BUSINESS

Unit Structure

3.0 OBJECTIVES

After studying the unit the students will be able to:

- Understand the new economic reforms adopted by India.
- Know the positive and negative impact of Liberalization, Privatization and Globalization.
- Evaluate the strategy alternatives in the changing scenario.
- Explain the restructuring strategies and its need.
- Discuss the Turnaround

3.1 INTRODUCTION

Indian economy had experienced major policy changes in early 1990's. The new economic reform, popularly known as Liberalization, Privatisation and Globalization i.e. LPG model aimed at making the Indian economy as fastest growing economy and globally competitive. The impact of these is explained as under-

3.2 IMPACT OF LIBERALIZATION

Liberalization means reduction of Government controls on the private sector. In 1991, the Government of India took several decisions about industrial development which indicated tendency towards more and more privatisation.

The impact of liberalization is explained as follows :-

A) Positive impact :

1) Increase in investment

Liberalization has greatly increased investment in private sector. The massive size of the investment plans of the companies becomes evident when they are compared with the total investment in the industrial sector.

2) Increase in Economic growth :

Indian economy during the last decade has witnessed a growth of around 8%. Even though in last couple of years the growth had showed down to around 5% to 6%, it is still relatively high as compared to pre liberalized area where Indian economy was growing at around 2% to 3%.

3) Increase in FDI

One of the positive outcome of liberalization has been higher in flow of foreign direct investment (FDI) in India. Foreign investors find china more investor-friendly. They still think Indian policy and procedural system is time consuming.

4) Increase in competition :

Liberalization have brought in an environment of healthy competition in the market place with more number of players, both national and international. The competition in turn has generated wider choice of products, competitive prices and better quality of goods and services. Thus, liberalization has benefited the Indian consumer in a big way.

5) Delicensing :

Before liberalization starting an industry in India was a tedious process. Number of compliances in the forms of permissions and licenses were required. This invariable delayed the project and escalated the cost. The focus of liberalization was on reducing these procedural delays caused by various licenses. This has facilitated the quick formation of the companies.

6) Impact on Indian Business :

Business activities in India are very much affected due to liberalization. Indian markets are now opened up to foreign companies. Imports are freely allowed. As a result, foreign goods are now easily available to Indian consumers. The demand for foreign goods, certainly affects the market for domestic goods. Our industries can now keep hold on Indian markets only by improving the quality and making the goods competitive in terms of quality price etc. The scope of Indian business improved after liberalization.

B) Negative Impact :

On the negative side however there are some serious problems arising out of our New Industrial policy i.e. liberalization. These are as follows-

1) Demand for foreign product :

Our markets have been flooded with cheap foreign goods. This have also adversely affected our domestic industries in a big way. People prefer foreign brands and labels, and ignore domestic products, resulting in closure of small medium local manufacturers.

2) Unemployment :

Liberalisation has introduced efficient and improved technologies which has made manpower surplus. In a country where manpower is an asset many people have been rendered jobless because of the recent changes.

3) Industrial Location :

The Government has given freedom to locate industries anywhere in the country as per the choice of the business firms. This would affect the development of backward areas, as industrialists may not be inclined to set up their units in backward areas due to lack of infrastructure facilities.

4) Unreliable investments :

Foreign Direct Investments are the first ones to withdraw their money if they have even some apprehension about government policies. This has been experienced in India recently when nearly one lakh crores have been withdrawn by foreign investors after Vodafone controversy and down grading of Indian economy by global rating agency.

5) Problem of Deliensing :

The New Industrial Policy 1991 recommended autonomic expansion without Government permission. This has resulted in heavy expansion of capacities in the 1990's in all sectors of the industry. This in turn has resulted in recession, especially between 1996-2003.

3.3 Impact of Privatization

Privatisation refers to a process that reduces the involvement of the government or public sector in the economic activities of a nation. It involves disinvestment of public sector partially or fully by selling its equity to private parties.

The impact of privatisation is explained as follows.

A) Positive Impact :

1) Improved infrastructure :

Private Sector focuses on providing better work environment. For this, huge investment is made in improving infrastructure facilities provided to the employees of the organisation. Better infrastructure in turn increases the overall efficiency of the organisation.

2) Increase in efficiency :

Most government industries and services are inefficient and are running in losses. Due to privatization, their efficiency is likely to improve as private sector focuses more on increasing productivity, efficiency and lowering or minimises wastages.

3) Use of Latest Technology :

Private domestic investors and foreign investors make use of latest technology and know-how for increasing the out put and their profits. Better technology helps in reducing the cost of production.

4) Less political interference :

Public sector enterprises are owned and managed by government with growth of private enterprises, government participation in industry is reducing by the day. This has also reduced the political interference in the day to day administration of companies to a great extent.

5) Increase in foreign Investment :

Many private companies seek funds through foreign direct investment (FDI) route. It increases foreign investment in the country. A country like India which has a shortage of foreign exchange benefits immensely due to such investment. An increase in foreign investment leads to an improvement in the foreign exchange reserves of the country.

B) Negative Impact

1) Problem of Dereservation :

The Government has dereserved the public sector. This has allowed the entry of private sector in those areas which were earlier reserved for public sector. The entry of private sector has resulted in over expansion of capacities, which in turn has resulted in recession, especially, from 1996 to 2003.

2) Lack of social Responsibility :

Business is a socio-economic activity. However, in their eagerness to earn maximum profits, private businessmen's; invariably ignore their social responsibilities towards government, employees, shareholders, society etc. This creates discontent among various stakeholders.

3) High prices :

Private businessmens are in a position to Spend huge amount on research and development. If they succeed in developing unique product, they are likely to recover the cost from the consumers by charging high prices for the product which they produced.

4) Exploitation of Employees :

It has been observed that private businessmens are not hesitant to violate various laws especially pertaining to workers. They may not even pay the minimum wage as prescribed by law. Furthermore, the working conditions are not conducive. This adversely affects not only the performance but also the health of employees.

3.4 IMPACT OF GLOBALIZATION

Globalisation is a wider term and treats world as one economy. Globalisation leads to integration of economies of different countries in a new global economic order. Globalisation of business is the process of linking a country's economy with the world economy.

Meaning :

"Globalisaton as the process of integrating country's economy with global economy with a view to capturing global opportunities for long-term growth and development."

The impact of Globalisation are as following-

A) Positive Impact

1) Integration of countries :

Globalisation leads to integration of countries of the world for business purpose. Trade is made free and there is free movement of goods and services among all countries. The isolation of countries from world trade is removed and this is beneficial to all participating countries.

2) Rapid economic growth :

Globalization provides opportunities to participating countries to grow and expand production and marketing activities. Concerned countrig promotes exports and earns substantial foreign exchange. This is again invested in the economy in order to provide higher standard of living to people within the country-

3) Reduction of custom Duties :

The custom duties on imports have been reduced considerably, especially, since 1995. In 1995, the peak customs duty was 40%, which has been reduced to 10% current level due to WTO. Also the quantitative restriction on imports have been reduced. This has resulted in import of quality goods, which has improved standard of living, and also resulted good competition with the domestic industry.

4) Transfer of capital and Technology :

Globalisation facilitates easy transfer of capital from one country to the other due to free convertibility. This is lead to flow of funds to poor and developing countries. Along with capital, technology is also move from developed to developing countries. Such transfer of technology leads to modernization of industries.

5) Liberalisation of foreign Investment :

Government has liberalised foreign investment in Indian companies. At present, foreign investment is allowed even upto 100% in select industries. This has not only generated more foreign capital but also has resulted in upgradation of technology in Indian companies.

B) Negative Impact

1) Problem for Domestic companies :

Domestic companied is come in difficulties due to globalisation. They have to face competition from the foreign companies which are superior with regard to quality and cost. The business of domestic companies come in difficulties due to competition from foreign companies. Even small scale and agro industries may come in danger due to liberal policies with regard to globalisation.

2) Problem of Foreign Investment :

The New Industrial Policy 1991 liboralised foreign investment in India. At present FDI is allowed in several Sectors. However, the MNCs are not very much interested in infrastructural development projects involving long gestation period. Also FDI results in outflow of foreign exchange due to payment of dividents and royalties.

3) Problem to the national economy :

Globalisation lead to privatisation, disinvestment in the case of public sector, free entry of foreign goods / companies and limited participation of government in industry and commerce. All such changes may prove harmful to the national economy of developing and poor countries.

4) Problem of Foreign Technology :

Globalisation lead to extensive use of capital intensive technology. However, computer technology / automation / modern technology is not create large-scale employment opportunities which are urgently required in developing countries. Thus, unemployment problem is likely to become more serious due to rapid progress towards globalisation. Again there is a possibility to overdependence on foreign technology.

Check Your Progress

1. Define the following terms
   a. Globalisation
   b. Privatisation
   c. Libralisation
2. Enlist the positive effects of Globalisation
3. Enlist the negative impacts of Privatisation.

3.5 STRATEGY ALTERNATIVES IN THE CHANGING SCENARIO

Organisation need to adopt certain strategy **William F. Glueck** in his book **"strategic management"** has identified the strategic alternatives into four broad groups.

1) Stability strategy :

Stability strategy refers to maintaining status quo of existing business operations. It implies continuing the current activities of the firm without any significant change. It aims at slow growth rate. A firm is said to be following a stability strategy. If it is satisfied with the same consumer groups and maintaining the same market share, satisfied with incremental improvements of functional performance and the management does not want to take any risk that might be associated with expansion or growth. Stability strategy is preferred by small businesses or firms in a mature stage of development stability strategy is pursues doing well. It is less risky, easier and more comfortable.

2) Gorwth strategy :

‘Growth strategy’ refers to a strategic plan formulated and implemented for expanding a firm’s business. Growth strategy is the much-talked and publiced strategy in the present Indian environment. Growth means an increase in the size or scale of operations of a firm usually accompanied by increase in its resources and output. Business growth is a natural process of adaptation and development that occurs under favourable conditions. In life of any organisation, growth is necessary at some point of time. As a matter of fact, growth is precondition for the survival of a business firm.

Growth strategies can be divided into two broad categories i.e. Internal growth and external growth.

a) Internal growth :

It is growth within the organisation with the help of its internal resources. It is planned and slow increase in the size and resources of the firm. Internal growth is slow and involves comparatively little change in the existing organisation structure. Internal growth strategies include.

i) Intensification / expansion
ii) Diversification
iii) Modernization

b) External Growth :

External growth is fast and allows immediate utilisation of acquired assets. External growth strategies include:

i) Merger and amalgamations
ii) Acquisitions and takeovers
iii) Foreign Collaboration and Joint ventures.

3) Retrenchment Strategy :

Retrenchment strategy, though less frequently used has been pursued by various companies successfully. In retrenchment stretegy, unattractive and unwanted areas of business are sequenced gradually. It is a planned exercise to get rid of unprofitable parts of business which helps the organisation to focus on most profitable and promising areas of business.

Retrenchment strategies can be divided in to two board categories i.e. divestment strategy and liquidation strategy.

a) Divestment strategy :

Divestment involves the sale or liquidation of a portion or a major division, or segment of the business unit. It is usually a part of revival, rehabilitation and restructuring plan.

b) Liquidation strategy :

A retrenchment strategy considered the most extreme and unattractive is liquidation, Strategy, which involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment, termination of opportunities where a firm could pursue any future activities and the stigma of failure.

4) Combination Strategy :

Combination strategy refers to the combination of stability, expansion and retrenchment strategy applied either simultaneously or sequentially. In every combination, two or more business units come together and adopt uniform policies for achieving common objectives. Combinations are useful for eliminating risks and uncertainties of business. A combination is a “revolution against risks.” Combination strategies involves.

1) Horizental combinations
2) Vertical combinations
3) Allied combinations
4) Service combinations
5) Mixed combinations

3.6 RESTRUCTURING STRATEGIES

Restructuring refers to rebuilding or reorganising a business firm. It’s a strategy that may be found useful in all the different phases of the firm’s life cycle initial period, growth, maturity and decline. It may also be found useful in postponing the death of the firm i.e. the dissolution or liquidation of the company.

The following are the various strategies of corporate restructuring.

1) Merger :

A merger refers to a combination of two or more companies into one company. It may involve absorption or consolidation. In absorption, one company acquires another company, and in a consolidation, two or more companies join to form a new company.

Mergers may be classified as follows-

a) A horizontal merger

b) A vertical merger

c) A conglomerate.

2) Amalgamation :

Amalgamation is a restructuring process in which two or more companies are liquidated and new company is formed to acquire business. In simpler terms, it means that a new company is formed that buys the business of minimum two companies. Amalgamations are considered to be a safe route for sick units who want to save their existence. Many other companies facing possible bankruptcy also opt for amalgamation.

3) Acquisitins / Takeovers :

Acquisitions refers to a situation where one firm acquires the assets and liabilities of another firm. The shareholders of the dissolved firm are paid either cash or given shares in acquiring company. Takeover is a form of acquisition which requires to acquiring of controlling interest of a company with or without the consent of the owners.

4) Joint ventures :

Joint venture is a form of business combination. Here, two or more companies form a temparary partnership for a special purpose. Here, two companies arrive at an agreement on certain issues of mutual interest. New company is not created but suitable working arrangements are agreed upon. Such agreements are beneficial to combining units. It is a fast and economic route for gaining increase competitiveness to combining units.

5) Portfolio restructuring :

Portfolio restructuring means making additions to or disposals from company's business. In simple words, it is decomposition of a portfolio's asset mix by selling off undesired asset types i.e. equities, debt or cash. Simultaneously, other types of securities are bought. Portfolio restructuring can be done by divestitures and demergers. It is basically involves modifying the business portfolio through divestitures and demergers.

6) Financial restructuring :

Financial restructuring involves a significant change in the financial structure of the firm and / or the pattern of ownership and control. Some of the ways of financial restructuring are going public, Debt-equity swap, leveraged buyout, buyback of shares and so on.

7) Organisational restructuring :

Organisational restructuring has become a common practice amongst firms in order to match the growing competition in market. It denotes changing the organization structure of the company for the betterment of business. Some of the forms of organisational restructuring are regrouping of business, business process re engineering, downsizing and out sourcing.

8) Rehabilitation schemes :

A sick firm can be revived to improve its financial position by adopting revival schemes some of the important revival schemes are settlement with creditors, divestment, strict control over costs, streamlining of operations, provision of additional capital and so on.

9) Privatisation :

Privatisation refers to a process that reduces the involvement of the government or public sector in the economic activities of a nation. It involves disinvestment of public sector partially or fully by selling its equity to private parties.

CHECK YOUR PROGRESS

1. Define the following terms
    a. Stability strategy
    b. Growth Strategy
    c. Retrenchment strategy

d. Combination strategy
e. Restructuring
f. Merger
g. Amalgamation
h. Portfolio restructuring

2. Fill in the blanks
   a. --------------------- involves disinvestment of public sector partially or fully by selling its equity to private parties.
   b. Growth strategies can be divided into two broad ------------------------ growth and --------------- growth.
   c. Merger and amalgamations is ---------------------growth strategy.
   d. Diversification and Modernization are the examples of -------------------growth strategy.
   e. ----------------------- means a situation where one firm acquires the assets and liabilities of another firm.
   f. Joint venture is a form of business ------------------------.
   g. Going public, Debt-equity swap, leveraged buyout, buyback of shares etc are the ways of ------------------.
   h. -------------------------denotes changing the organization structure of the company for the betterment of business.

3.7 NEED FOR RESTRUCTURING

Following are important reasons for restructuring the business enterprise.

1) Sickness of the unit :

Whenever a unit becomes sick and is found economically unstable then there is a need for restructuring. Sick unit interested to revive take efforts to restructure.

2) Disinvestment :

As a measure of restructuring some companies sell a part of their assets in order to get rid of loss making unit or to invite new partner. Alternatively, a company may dispose of some part of equity holding in favour of foreign collaboration.

3) Intention to retire :

The existing promoters may be tried of carrying on with the same business. So they may think of retiring and changing the line of business by either entering into export business or any other promising area. Any such move may result into restucturing.

4) To avoid competition :

Competition for small companies reduces the margin of profit affecting the normal growth. So, in order to avoid competition the competing units prefer to join hands. Thus restructuring helps to face or avoid competition.

5) Perceived opportunity :

Some promoters have strong financial resource which they want to invest in a profitable business such investments give great opportunity to both, the new promoter and the old one. This happens to be a restructuring programme for the old promoter.

6) Fast growth :

Whenever there is increase in sales, production, profit and assets of the company. It is said that the company is growing. Sometimes technical and structural limitations act as hardles for internal growth. In such as situation companies have an option for external growth by taking over or joining hands with other companies.

7) Finance :

Restructuring in the form of merger or takeover can be used to solve the problem of finance. A company lacking financial resource can join hands with a stable and financially sound company. The funds can be used for modernisation and revive back.

8) Economic of scale :

When two companies join together their scale of operation increases. They can make a better and optimum utilisation of all available resources development facilities, marketing and distribution activities etc. This helps them to reduce the overhead cost and production cost. Reduction in overall cost eventually helps to face competition in the market.

3.8 TURNAROUND

Turnaround strategy can be referred as converting a loss-making unit into a profitable one. According to dictionary of marketing (by D.H. collin) "Tournaround means making the company profitable again."

Turnaround is possible only when the company restructure its business operations. Turnaround strategy is a broader strategy and it can include divestment strategy-where a firm decides to divest or get out of certain business and sells off units or divisions.

Normally, the turnaround strategy aims at improvement in declining sales or market share and profits. The declining sales or market share may be due to serveral factors both internal and external to the firm. Some of these factors may include high cost of materials, lower price utilization for the goods and services, increased competition, recession, managerial inefficiency, etc.

3.8.1 Essentials of a successful Turnaround strategy :

A business can't be turned around without proper planning and the support of the employees, shareholders etc. Following are the essentials of a successful turnaround strategy.

1) Effective leadership :

To make turnaround successful, there is a need to have good leadership at all levels, especially at the top level management. The CEO needs to be committed and dedicated to the organisation. He needs to be a dynamic person with creative skills to handle the turnaround situation. If need to be, the Board of Directors may change the CEO, and appoint a new leader to handle the situation.

2) Change of managerment :

The present management should accept the responsibility of the present state of affairs of the company. A new CEO with experience and maturity should be appointed for executing the turnaround strategy effectively. A change in management may bring in new and better ideas which would help the company to come out of red.

3) Relevant to the enterprise :

Turnaround strategy prepared should be directly related to the problems faced by the enterprise. A good turnaround strategy should be able to deal with the difficulties directly and effectively.

For this, the reasons responsible for the sickness of the enterprise should be studied in depth so as to find out suitable remedial measures.

4) Availability of Resouces :

There must be availability of required resources to make turnaround effective. The turnaround strategy would require proper amount of cash to meet working capital needs and certain fixed capital needs. The business unit may also require skilled manpower to handle newly introduced technical Jobs.

5) Proper planning and execution :

A good turnaround strategy should contain comprehensive remedial plan and arrangements for its execution. The strategy prepared should have solutions to the basic problems before the enterprise. In addition, necessary funds should be given to those concerned with the execution of the strategy. This facilitates execution of the strategy within a time frame.

6) Proper communication :

It is essential that the management takes into confidence various groups like the employees, creditors, shareholders and others connected with the sick unit. This is possible through effective communication with these groups. Any information regarding turnaround strategy must be quick, clear and complete. An effective and prompt communication is necessary in order to reduce and remove their objection and reluctance to the turnaround programme.

7) Viability of business :

The nature of business needs careful consideration before the introduction of turnaround strategy. Sometimes, the business activity may not have bright future due to changed business environment. A business enterprise engaged in such activity is bound to face difficulties from time to time. In short, viability of business activity is an essential requirement of a good turnaround strategy.

8) Good management :

Turnaround would be successful if it is handled by determined and motivating managers. The top managers must be objective oriented. Self confident, positive in outlook, innovative and creative in thinking and highly active with a good foresight to foresee whether their strategies would be positive in future or not.

3.8.2 Steps in turnaround strategy :

To manage turnaround strategy and to make it successful, the following are the steps that may be followed by business firms.

1) Setting up of a turnaround committee :

The business firm may set up a turnaround committee or a team to deal with the turnaround strategy. The committee may involve top management personnel, consultant and may include employees' representative. At time, business firms appoint a new CEO to deal with turnaround strategy. The CEO may take the help of some top management personnel to manage the turnaround strategy.

2) Identify problematic areas :

The problematic areas should be analysed. It could be obsolete technology used by the company, under utilization of production capacity, or continuous decline in sale of some product etc. Only when the problems are identified properly, then organisation can work for proper solutions.

3) Detailed Investigation of problem :

The turnaround team needs to make a detailed investigation of the various problems. The turnaround team may undertake the activities i.e. discuss with workers to know the problems, conduct consumer research, conduct dealers' survey etc.

4) Enlist critical areas :

The critical areas which have been identified should be investigated further and list covering those should be prepared. On the basis of their intensity the most important problem should be given top priority and remaining ones should be enlisted in descending order.

5) Prepare restructuring plan :

A comprehensive restructuring plan should be prepared. While doing so, the strengths and weaknesses of the organisation should be taken into account.

6) Implement the plan :

Thereafter, the plan must be implemented. For example if the company wants to restructure human resource, it must first identify surplus employees. If possible they must be retained. If not, they should be retrenched. For this the company must make available necessary fund's in the form of gratuity, pension, provident fund etc. to be paid to them.

7) Review :

The turnaround strategy needs to be monitored at different phases. Monitoring of implementation is a must to ensure early revival. It required, the company may adopt additional measures to overcome the turnaround strategy.

3.9 SUMMARY

In July, 1991 India adopted new economic reforms consisting of privatization. Liberalization and Globalization. The Government of India took several decisions about industrial development which indicated tendency towards more and more privatisation.

Restructuring and Growth strategies adopted by the companies are for exploration of potential opportunities, with strength, weaknesses and core competencies. It is endorsed to understand various diagnostic tools that are used to identify and evaluate applicable strategies and use of alternatives stategies. A through study of the internal and external strategies is done for corporate excellency.

Application of expansion and diversification plans of the companies helps them to face competition, revitalized their operations, increase their market share and advance their creditability. Merger, Amalgamations, Takeover. Turnaround etc. are several forms of strategic alternatives adopted by companies to enhance and strengthen their corporate image and increase their financial position.

3.10 QUESTIONS FOR SELF-ASSESSMENT

1. Explain the concepts of Liberalisation, privatisation and Globalisation.
2. Discuss the impact of Liberalisation.
3. What is privatisation? Explain its impact.
4. Discuss the impact of Globalisation.
5. Explain the forms of strategic Alternatives.
6. Discuss the various strategies of corporate restructuring.
7. What are the essentials of a successful turnaround strategy?
8. Discuss the steps in a turnaround strategy.

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Unit -4

BUSINESS ENVIRONMENT

Unit Structure :

4.0 OBJECTIVES

After studying the unit the student will be able :

- To know the term business environment.
- To understand the features of business environment.
- To elaborate the importance of business environment.
- To discuss interrelationship between business and environment.
- To explain internal and external environment.
- To evaluate the measures to improve educational standard.
- To understand the impact of education on business.

4.1 INTRODUCTION

Business environment consists of all those forces or factors both internal and external that affects the working of a business. Business environment refers to the socio-economic surrounding under which business activities are to be conducted. Such environment is the net result or sum total of various political, economic, social, technological, natural and other factors. Environmental factors are largely beyond the control of business enterprises. These are essentially the “givers” within which business enterprises have to operate. The internal factors comprises of firm’s plans and policies, resources like manpower, capital, machineries etc. The external environment comprises of the micro factors such as customers, competitors, suppliers etc. and the macro factors such as economic, political, social, technical and other factors. Analysis of the internal environment helps the firm to identify its strengths and weaknesses and the analysis of external environment helps to identify opportunities and threats. Thus environmental analysis helps to undertake the SWOT analysis i.e. strengths, weaknesses, opportunities and Threats.

4.2 DEFINITION AND FEATURES OF BUSINESS ENVIRONMENT

The environmental factors vary from country to country, even region to region. For example, Social environment in US is different as compared to India. Therefore Multinational Corporation like McDonald’s has modified their products to suit India’s consumption habits.

4.2.1 DEFINITION :

According to Keith Davis, -

“Environment of the business means the aggregate of all conditions, events and influences that surround and affect it”.

4.2.2 FEATURES

The following are the important features / characteristics of business environment.

1) Dynamic in nature :

Business environment is flexible and perpetually evolving. It changes frequently due to various external forces i.e. economic, political, social, international, technological, and demographic. Business enterprises have to operate under such dynamic environmental conditions.

2) Direct and Indirect Impact :

Business environment may have direct and indirect impact on the working of a business like competition, government policies, customer, etc. can have a direct and immediate effect on the working of a business enterprise. The macro-external factors like social, economic and political factors may have indirect effect on the working of the business enterprise.

3) Inseparable part of business :

Business environment refers to the socio-economic surrounding under which business activities are conducted. Business can't work in isolation. Both, business and its environment are interdependent on each other. Business is not only influenced by its environment but also can't function without it.

4) Internal and External Factors :

Activities of business enterprises are affected by internal and external factors. The internal factors are controllable in nature. It includes manpower, machinery, management labour relations, etc. The external factors are beyond the control of a business enterprise. But it can adjust its strategies depending upon the changes in external factors.

5) Complex in nature :

Business environment is also complicated and unpredictable. Technological changes are taking place at a rapid pace, new legislations are enacted every day and not only are consumers becoming aware of their rights but economies are become global. Such factors have made the environment complex.

6) Regulates scope of business :

Environment provides the frame-work within which business enterprises have to operate. Business activities have to be adjusted as per the prevailing environment. For example, manufacturers of product like cigarettes and alcoholic drinks can't advertise on television. Such regulations must be taken into account.

7) Opportunities and Obstacles :

Environment provides opportunities and creates obstacles in the working of the enterprise. Opportunities may be termed as favourable situations which can help to make more profit and growth. On the other hand, obstacles imply unfavourable environment, which affect the enterprises profitability and growth. Both the situation must be accepted by business enterprise with confidence.

8) Environment and planning :

Business environment and business planning are closely related concepts. In fact, planning is necessary in order to derive maximum benefit from favourable environment. Similarly, planning is useful for dealing with the problems created by unfavourable business environment.

9) Multi - Dimensional :

Changes in environment may have positive and negative impact on the working of business, enterprises. Environmental change may be favourable to some enterprises and unfavourable to others. For example, Government of India has liberalised the entry of foreign countries into India. The foreign firms consider it as on opportunity, whereas, Indian firms consider it as a threat.

4.3 IMPORTANCE OF BUSINESS ENVIRONMENT

The following are the importance of business environment.

1) Identification of Strengths :

The analysis of the internal environment helps to identify the strengths of the firm. Strength is an inherent capacity of an organization which can used to gain strategic advantage over its competitors. Every organization must strive to maintain and improve on its strengths.

2) Identification of weaknesses :

The analysis of the internal environment also helps to identify weakness of the firm. A weakness is an inherent limitation of the organization which creates a strategic disadvantage. Therefore, the firm should identify its weaknesses and correct them as early as possible.

3) Identification of Opportunities :

The analysis of the external environment helps to identify the opportunities in the market. An opportunity is a favourable condition in the organisation's environment, which enables it to strengthen its position as we see how liberalization has brought global opportunities for Indian business houses.

4) Identification of Threats :

Environmental analysis helps to identify threats from the environment. A threat is an unfavourable condition in the organization's environment that creates a risk or damage to the organization like rapid technological changes that have made technologies used by organizations obsolete. Identification of threat helps to defuse the same.

5) Effective planning :

A business organization should have short term as well as long-term plans. Proper environmental analysis about the various environmental factors affecting the business organizations helps such planning effectively.

6) Facilitates Organising of Resources :

Proper analysis of environment enables a firm to know the demand potential in the market. Accordingly, the firm can plan and organize the right amount of resources to handle the activities of the organization.

7) Optimum utilization of Resources :

The study of business environment is needed as it ensures optimum use of resources available with the business organization. Such study enables an enterprise to take full benefits of policies framed by the government.

8) Flexibility in operations :

A study of environment enables a firm to adjust its activities depending upon the changing situation. For example, the environmental analysis may indicate that the nearest competitor adopts flexible credit policy, depending upon the nature of customers. Therefore, the business firm may also do the same to win the trust of the customer.

9) Business Expansion :

The environment analysis provides opportunities for expansion and diversification of business activities. Because environment analysis helps to discover and exploit such opportunities fully when the environment is favourable, new ideas, ventures and schemes may be put into action.

10) Understand future problems :

The study of business environment is needed in order to understand future problems and prospects of business well in advance. This enables a business enterprise to face problems boldly and also take the benefit of favourable business situation.

4.4 INTERRELATIONSHIP BETWEEN BUSINESS AND ENVIRONMENT

Interrelationship is a meeting point between two subjects. Business and environment are like the two sides of the same coin i.e. one can’t survive without the other. Business and environment are independent but interdependent on each other for survival and growth. Environment supplies resources to the business organizations for undertaking production activities. At the same time, products manufactured are sold to the people who are the part of demographic environment. Growth and profitability of business depend on the environment under which business has to operate. Business will be successful when it is adjusted as per the requirements of environmental forces. “To manage business means to manage the environment around the business”. This suggests the close relationships between business and its environment. The interface between business and the various types of environment can be briefly explained as follows -

1) Business and natural environment :

Business firms depend on natural environment for the supply of resources like raw materials, water, etc. The natural environment also benefits from business. This is because of developments in the field of technology; there is availability of alternative sources of energy. Business firms have also come up with innovations that can substitute natural resources or materials. Such technological developments and innovations help to preserve and protect the environment

2) Business and Economic Environment :

Business is influenced by the economic policies relating to taxation, money supply, import - export etc. A change in economic policy has both positive and negative effect of industry. A positive change in the policy provides opportunities for growth and expansion.

Business has limited scope to influence the economic environment. However, the Joint efforts through trade association representation to the government, there can be some positive changes in the economic policies affecting the business activities.

3) Business and Political environment :

Political environment factors affect the functioning of a business as it has to modify its policies according to the decisions taken by the government. Moreover these changes can have a lasting impact. For example, when the congress Government headed by Mr. Rao decided to liberalise and open our economy in 1991, small business units were compelled to close down while many were taken over by the multinationals.

Business organizations too influence the political environment. For example, there are some organizations that funds political parties. It is possible that such organizations benefit when the party they fund comes to power.

4) Business and demographic environment :

Demographic environment factors such as age, sex, male, female, rural - urban population, education etc. influence business decisions. The business firms can take business decisions depending on demographic features of population. For example, the income of the people in India is quite low. This affects the purchasing power and has to be taken into account by the manufacturers while fixing the price of their products. On the other hand, business organization also affect demographic environment. For example, business organizations often undertake various community welfare programmes like health camps, literacy drives etc. They thus contribute towards upliftment of the people.

5) Business and regulatory environment :

The legal environment has a good influence on business decisions. Business firms need to follow the provisions of various laws or acts affecting their business decisions. It should carry on their business within the frame work given by the legal environment. Business firms can influence legal environment. They can support government in framing various laws and acts. Through proper representations, business firms can influence the framing of laws and acts in the country.

6) Business and Technological environment :

Technological environment can influence business decisions. Development in the field of technology can benefit the firms by way of improvement in quality and quantity of goods.

Business can also influence technological developments. Business firms can invest a good amount in research and development to develop new and better technology. Technological development may help firms to come up with new and better type of goods at lower cost of production.

7) Business and socio-cultural environment :

Business firms need to monitor closely the socio-cultural environment. The social and cultural environment greatly influences business decisions. An analysis of socio-cultural environment would enable the business firm to design and promote its products and services effectively. For example, in India, people are emotionally attached to their festivals, dance, music and so on. Business firms can dramatise the socio-cultural elements in their advertisements.

8) Business and international environment :

Business firms, especially those dealing in foreign trade are affected by international environment. The international environment is affected by international forums like WTO, trading block like NAFTA, ASEAN etc. Due to globalization and liberalization business organization are forced to view business issues from a global perceptive. Hence, business policies and practices may be adjusted to survive in the global environment. Business organizations also have a capacity to influence the international environment but to a limited extent. The business community can influence their government to represent it effectively at various international forums.

4.5 COMPONENTS OF BUSINESS ENVIRONMENT

A proper classification of the various environmental factors facilitates the study of business environment. The business environment can be broadly divided into two group's i.e.

1. Internal Environment
2. External Environment

4.6 INTERNAL ENVIRONMENT

Internal Environment refers to all the factors within an organization which affect its functioning. These factors are generally regarded as controllable i.e. the organization can alter or modify such factors. A firms' internal environment consists of its plans, policies, resources, relations and other internal factors which affect its working.

Factors of Internal Environment :

The following are some of the important factors of internal environment.

1) Vision, mission and objectives :

A vision statement highlights the long term goals of the organization. It is broad based and provides necessary directions to the business. On the other hand, short term targets are referred to as mission statement. A mission statement provides directions in setting objectives and framing policies of the organization. There must be consistency between the vision statement, the mission statements and the objectives of the organization.

2) Plans and Policies :

A knowledge of internal environment and how it affect the functioning of the organization is important to understand the use of business plan and policies. Broadly, plan and policies cover functional areas i.e. production, marketing, finance and human resource development. Business plan and policies provide the broad guidelines within which an organization has to work.

3) Human Resource :

A successful business is known by its efficient human resources and not by the building and machines. Human resource makes or breaks a business. Care should be taken to recruit result oriental employees.

4) Physical Resources :

Physical resources includes machines, equipment, buildings, office premises, furniture and fixture etc. Analysis of the internal environment may indicate the weaknesses of the physical resources, and as such the firm can take an appropriate measure to correct such weaknesses. For example, the obsolete machines may be replaced.

5) Financial Resources :

Finance is the life blood of all business activities. Every organization requires adequate fixed and working capital. The organization must have a sound financial policy where the inflow of funds is more than the outflow. In such a case, the organization does not fall into a liquidity trap.

6) Corporate Image :

Every organization enjoys an image among the employees. Some refer to their employers as progressive whereas others refer to them as conservative. To make the business acceptable to the society, every business must try to improve its image. Objectives base on enlightened lines certainly help to improve corporate image.

7) Labour - management relations :

Both labour and management should try to maintain pleasant relations at workplace. It is important to keep clear line of communication. Differences and conflicts can be settled across the table. Work environment should attract labours to their work.

8) R & D Facilities :

Research and Development is the strength of the business. It helps the business to go ahead of the competitors by introducing new products and by improving the existing ones.

Check Your Progress

1. Enlist the characteristics of business environment.
2. Define the following terms
   a. Business Environment
   b. Internal environment

3. “Business and environment are independent but interdependent on each other for survival and growth”. Explain.
4. Enlist the important factors of internal environment.

4.7 EXTERNAL ENVIRONMENT

External environment includes all those factors and forces, which are external to the business organization such as economic, socio-cultural, demographic etc. These external factors are beyond the control of the company. Hence they are regarded as uncontrollable factors especially as they are dynamic and keep on changing continuously. There is a constant need to analyse the external environment so as to find out the opportunities and threats. A proper analysis of external environment will enable the firm to grab the opportunities and to defuse the threats. The external environment is broadly divided into Micro Environment and Macro Environment.

4.7.1 Micro Environment :

The micro environment consists of all those factors in the firm's immediate environment. The micro environment can have direct impact on the working of a firm.

Factors of Micro Environment :

The following are the most important factors of Micro Environment :

1) The customer :

The key to success in marketing of goods depends on consumer - oriented approach. It is important to consider customer's likes, dislikes, needs, preferences, buying motives and expectations. Higher customer patronage brings increased profit to the business.

2) The competitors :

A firm has to analyse its competitors' activities. Information about competitors must be analysed with respect to their product designs, pricing, promotion, distribution, etc. Such analysis will enable the firm to design effective marketing - mix.

3) The Suppliers :

Suppliers include those who supply inputs like raw materials, and components to the organization. An organization can't function without a smooth supply of its stocks and raw materials. Therefore, it becomes essentials to ensure a good relationship with its suppliers to get quality goods at the right price and at right time.

4) Channel Intermediaries :

Now-a-days, dealer recommendations play an important role to convince buyers to buy products, especially in the case of consumer durables. The firm has to motivate the dealers to push and promote its products and also to obtain timely feedback about consumers' tastes, preferences, likes, dislikes, etc.

5) Society :

The society may also affect company's decisions. The society can either facilitate or make it difficult for a company to achieve its objectives. Business has not only to earn profits but also to serve the society. Society consists of general public, media, government, financial institutions and organised group. Like trade unions, shareholders associations etc. Society directly influences the decisions of a business.

6) Corporate Resources :

Corporate resources include employees, funds, materials, machinery and management. These resources are controllable. They can be used as per the guidelines provided by business policies.

4.7.2 Macro Environment :

The macro environment consists of the larger factors that affect the day to day functioning of a firm. It relates to demographic, economic, natural, technological, political, cultural, international and legal factors.

Factors of macro environment :

The following are the important factors of macro environment.

1) Economic Environment :

Economic environment is one components of total business environment. It is the outcome of economic policies. Economic events within and outside the country also affect economic environment.

2) Political Environment :

Political environment refers to the situation created by political factors and forces. It suggests the influence exerted by the three political institutions i.e., legislature, executive and judiciary, in shaping, directing, developing and controlling business activities.

3) Legal Environment :

The legal environment is comparatively new component of total business environment. Legal environment is the net result of various laws, rules, procedures and regulations made by the government in regard to the formation and operations of business enterprises.

4) Socio-cultural environment :

Cultural environment is the result of social forces. Society includes different social groups i.e. customers, investors, local community and employees. The expectations of these groups create cultural environment for business.

5) Demographic Environment :

Demographic environment relates to the population and its division on the basis of age, sex, standard of living, size of the family, employment, etc. Market demand, requirements of consumers, etc are based on demographic environment. The study of demographic environment has priority over other areas of business environment as business depends on people.

6) Natural Environment :

Natural Environment relates to natural resources like land, water, minerals, port facilities, etc. Business firms are use natural resources like water, land, iron-ore, crude oil, etc. In doing so, two things happen i.e. Erosion of natural resources and pollution of resources. Business firms should understand these two effects and take necessary measures to control erosion and pollution of natural resources.

7) Technological Environment :

Technological environment implies the level of technology available in a country. Technology is the systematic application of scientific or other organised knowledge to practical tasks. Technological advancement make it possible to improve the quality of products, increase the output and decrease the cost of the product. Technological changes are rapid and to keep pace with it, businessmen need to be alert and flexible in order to quickly incorporate them in their business organizations.

8) Financial Environment :

Now-a-days, financial environment greatly influences the working of the firm. For example, poor financial climate in the country dampens the spirit of stock markets. Therefore, corporate firms find it difficult to raise funds from the primary market. The non-availability of right funds affects the growth prospects of corporate firms.

9) International environment :

Business firms engaged in foreign trade are more affected by changes in the international environment. Business firms, which cater to foreign trade, must constantly monitor implications of international environment on their business.

4.8 EDUCATIONAL ENVIRONMENT

Education is not stuffing mind with information but to make people enlightened, creative and honest. Education brings flexibility in life and we agree to disagree. Education prepares us to face the challenges of tomorrow and work in the direction to make this world a better place to live in. Education has bridged the gap between people and nations.

The educational environment like business environment is fast changing throughout the world. Now, it is necessary to redefine and restructure education system particularly higher education so as to make it competitive, effective and market friendly.

Meaning :

According to the census of 2011, "every person above the age of 7 years who can read and write in any one language is said to be literate".

4.9 MEASURES TO IMPROVE EDUCATIONAL STANDARDS

The following measures are suggested to improve education in order to face the challenges of business, globalization and the society.

1) Quality of education :

There is an urgent need to redefine policies and priorities in education, much importance need to be given to improve the quality of education at all levels i.e. right from primary to the professional education.

2) Role of private sector :

Considering the financial crunch, the government should gradually withdraw from higher education and allow professionally managed private institutions to take up the job of providing higher education. However, the government must monitor and supervise the working of private institutions to protect interest of the learners. It leads to improve quality of education.

3) Granting of Autonomy :

Functional autonomy should be granted to the colleges to design and develop employment oriented curriculum. This would improve the quality of education in India.

4) Infrastructural Facilities :

The present inadequacy of infrastructure and financial resources and the increase in demand for higher education. It is suggested to expand distance education system and establish a network of open universities in India.

5) Reduction in subsidy :

Subsidy on higher education is to be reduced gradually. This is because higher education benefits only a small percentage of population. The money saved by reducing subsidy on higher education can be effectively utilized for primary education.

6) Revision of curriculum :

Proper steps should be taken to revise curriculum knowledgeable persons should be included in the syllabus framing committee. Assistance must also be taken from the industry at the time of course revision. The revision must take place on regular basis, say in every three years. Also examination reforms to be introduced.

7) Relation between industries and institutions :

Business or management schools have to play constructive role in developing managerial talent with competitive skills. There must be an relation between educational institutions and industry.

8) Learning methods :

New learning techniques like individualized instructions, group discussion, case study, brain storming sessions, seminars, paper presentation should be incorporated to make courses effective and practical.

9) Social and Cultural Development :

The education system must bring social development in the society. It must contribute to character building. Otherwise, education at whatever cost is meaningless. Therefore education should be socially and culturally oriented.

10) Training to Teachers :

Teachers must be trained on a regular basis. Teachers should develop new skills to impart education. They need to be student oriented i.e. they should understand the students well and accordingly train and assess them. The teacher should have the right concern and attitude towards the students. Teacher should develop new skills by attending orientation and refresher programmes.

4.10 IMPACT OF EDUCATION ON BUSINESS

Following are the impact of education on business.

1) Rise of professionalism :

Now-a-days, there has been a good deal of arguments in favour of developing professional managers in India. Advanced education, managerial competence, commitment to national objectives and concern for workers and society are cited as qualities of a professional manager. The shift from owners management to professional management has come to stay in India. Managing a large business today needs educated personnel's.

2) Technical Knowledge :

Education enable managers to become technology friendly in using computers, e-mail, internet, palm top and so on. Business is always information based. The use of advance technology helps managers to work out result oriented decisions.

3) Improve productivity :

Education improves the quality of the workforce. Better quality of work force leads to better quality and quantity of output. This improves the overall efficiency of the organization.

4) Work culture :

Work culture means devotion and dedication to work. It ensures commitment and sincerity in work. The basic purpose is to use available capacity both physical and mental to the fullest extent. Education and training communicates to the workers the message of work is worship and dignity of labour.

5) Reduction in cost :

Educated employees generally keep on developing new tools and techniques of performing the work. This leads to reduction in the cost of production. Consequently it enabled the business organisaion to sell products at reduced prices.

6) Creativity :

Business provide ample opportunities to display individual creativity. One need not do what others have done in the past. Top management gives many chances to the managers to use their innovative and creative ideas and plans and bring success to the business. Education facilitates use of creative talents.

7) Optimum Utilisation of Resources :

By appointing professionally qualified managers business ensures that there is optimum utilization of resources both human and physical. Wastages of all types are either eliminated or minimized. This results into progress and prosperity of the business.

4.11 IMPACT OF BUSINESS ON EDUCATION

Following are the impact of business on education.

1) Need for different courses :

Business has grown manifold. Different functions have to be performed day in and day out. This requires people possessing various skills. For imparting these skills new courses have to be started. So growth of business has necessitated the need for different courses by education institutions.

2) Dominance of private sector :

The economic reform gives birth to privatization. Importance to private sector is a global phenomenon. Private sector can take only those educated youth who have been trained to meet the challenges of this business.

3) Vast potentiality in service sector :

Service sector is the fastest growing sector in India. Educated personnel's are needed in consultancy, finance, banking, healthcare, communication, maintenance, travel and tourism.

4) Information revolution :

The widespread use of computers has made information only a click away. Data bank has become extremely popular where information is collected, stored and made available on demand. Education has to meet this need.

5) Specialisation :

Specialisation is the need of the business. A specialist is a person who knows too little of a little thing. Education provides talented specialists by coaching them in specific areas of business like finance, marketing, production, R & D and so on.

6) Practical knowledge :

Now a days many educational organizations invite people from the industry as faculty members as they have practical knowledge about functioning of the business enterprises. This helps students to get practical insight to the subject and makes them better equipped to face the market realities.

4.12 SUMMARY

The chapter Business Environment deals with the environmental factors which affects the business working. Today's business world is highly complicated in nature. Every organization has to operate under these environmental factors. These factors are dynamic in nature. Before finalizing business decisions organization has to observe and study the environmental factors. In today's globalised world international environmental factors have a very important role to play. The survive and success of a business unit is depends upon the quality of educational environment.

4.13 QUESTIONS

1. Define Business Environment. Explain its features.
2. What are the importances of business Environment?
3. Explain the interrelationship between business and environment.
4. Explain the factors of Internal environment.
5. Discuss the factors of external environment.
6. Write a note on Educational Environment.
7. What are the measures to improve educational standards in India?
8. Explain the impact of education on business.
9. Evaluate the impact of business on education.

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Unit-5

INTERNATIONAL ENVIRONMENT

Unit Structure

5.0 OBJECTIVES

After studying this unit the students will be able to:

- Identify the global Environment.
- Understand the current trends in the International Trade.
- Explain the functions and impact of WTO in the international trade.
- Know in detail about the trading blocs i.e. EU, NAFTA, ASEAN, SAARC & OPEC
- Discuss the positive impact of trading blocs.

5.1 INTRODUCTION

The present International environment is favourable for business growth and expansion. The world economy offers unlimited but challenging opportunities. Business units particularly connected with import-export should continuously monitor the international environment, identify and make use of opportunities for the betterment of company and country. Business unit engaged in import or export trade or domestic units using imported raw materials, technology or machinery are affected more by a minor change in international environment. Futher, business units engaged in export marketing are influenced by depression or boom in international market.

The international environment of business comprises of a country's foreign policy, bilateral relations, international agreements, the policies of trading blocks, import-export policy, monetary policies etc. Other factors like war, civil disturbances political instability etc., have also an effect on international environment. In recent years, the international environment has changed significantly. The developments in transport and communication systems have brought countries closer to each other. Today, global market is emerging out as one single market. Under such situations, companies like multinationals are likely to dominate the world market.

5.2 CURRENT TRENDS IN THE INTERNATIONAL TRADE

There was sudden and sharp decline in world trade from US$ 16 trillion in 2008 to US$ 12.4 trillion in 2009. This was mainly on account of recession in the world markets in 2009 triggeved by sub prime crisis of USA In 2008. However, there was an impressive recovery in 2010. World trade reached US$ 7 trillion in the first half of 2010, with a value growth of 24 per cent.

World trade volumes which fell by 10.7% in 2009 have recovered with a growth of 12% on 2010 as shown in the following table.

Trends in Growth in Trade volumes (per cent change)

	2008	2009	2010
World Trade Volume (Goods & Services)	2.8	(-) 10.7	12.0
Imports			
• Advanced Economies	0.5	(-) 12.4	11.1
• Energing & Developing Economies	8.9	(-) 8.0	13.8
Export			
• Advanced Economies	1.8	(-) 11.9	11.4
• Energing & Developing Economies	4.4	(-) 7.5	12.8

Source : IMF (World Economic outlook) Jan, 2011.

5.3 WORLD TRADE ORGANISATION (WTO)

In 1947, 23 countries including India signed the General Agreement on Tariffs and Trade (GATT). GATT was created to reduce global depression and to liberalise and regulate the world trade by reducing tariff barriers. GATT has been replaced by WTO in 1995.

WTO is wider in scope as it includes not only regulation of world trade of goods, but also it regulates trade in services, intellectual property rights and investment. It is concerned with not only reducing or eliminating tariff barriers but also non-tariff barriers such as quotas. In January, 2010, the membership of WTO was 153 countries.

5.3.1 OBJECTIVES OF WTO :

WTO desires to achieve the objectives as decided by GATT. These are as follow-

1) Free trade i.e. trade without discrimination.
2) Growth of less developed countries.
3) Protection and preservation of environment.
4) Optimum utilisation of available world's resources.
5) Raising living standard of citizens of member countries.
6) Settlement of trade disputes among member countries through consultation and dispute settlement precedure.
7) Generating employment opportunities at global.
8) Enlargement of production and trade.

5.3.2 FUNCTIONS OF WTO :

WTO performs important functions to increase world trade and development. The main functions are as follows-

1) Administration of agreement :

It looks after the administration of the 29 agreements (signed at the conclusion of Uruguay round in 1994), plus a number of other agreements, entered into after the Uruguay round.

2) Implementation of reduction of trade barriers :

It checks the implementation of the tariff cuts and reduction of non-tariff measures agreed upon by the member nations at the conclusion of the Uruguay round.

3) Examination of members' trade policies :

It regularly examined the foreign trade policies of the member nations, to see that such policies are in line with WTO guidelines.

4) Collection of foreign trade information :

It collects information in respect of export-import trade, various trade measures and other trade statistics of member nations.

5) Settlement of dispute :

It provides conciliation mechanism for arriving at and amicable solution to trade conflicts among member nations. The WTO dispute settlement body adjudicates the trade dispute that can't be solved through be lateral talks between member nations.

6) Consultancy services :

It keeps a watch on the development in the world economy and it provides consultancy services to its member nations.

7) Forum for negotiation :

WTO is a forum where member nations continuously negotiate the exchange of trade concessions. The member nations also discuss trade restrictions in areas of goods, services, intellectual property, etc.

8) Assistance of IMF and IBRD :

It assists International Monitory Fund (IMF) and International Bank for Reconstruction and Development (IBR) i.e. world Bank for establishing coherence in universal economic policy administration.

5.3.3 POSITIVE IMPACT OF WTO :

The positive impact of WTO on developing countries like India can be described as follows.

1) Growth in Merchandise Exports :

The exports of developing countries like India, China, Brazil etc. have increased since the setting up of WTO. The increase in exports of developing countries is due to reduction in trade barriers i.e. tariff and non-tariff. For example, India's merchandise exports have increased by 7.8 times since 1995. In 1995 it was 32 US$ Billion and it was 251 US$ Billion in 2010-11.

2) Growth in services exports :

The WTO has also introduced an agreement on services called GATS. Under this agreement, the member nations have to liberalise the services sector. Certain developing countries like India would benefit from such an agreement. For example, India's services exports have increased from about 5 billion US$ in 1995 to 133 US$ billion in 2010-11. The software services accounted for about 42% of the services exports of India in 2010-11.

3) Foreign Direct Investment :

As per the TRIMs agreement, restrictions on foreign investment have been withdrawn by member nations of WTO including developing countries. Therefore, the developing countries like Brazil, India, China, etc have been benefited by way of foreign direct investment as well as by Euro equities and portfolio investment in 2010-11, foreign direct investment in India was 26 US$ billion.

4) Textiles and clothing :

It is estimated that the textiles sector would be one of the major beneficiaries of the impact of Uruguay Round. At the Uruguay Round, it was agreed upon by member countries to phase out MFA by 2005. Under MFA, the developed countries like France, USA, UK, Canada etc used to import quotas on textile exporting countries. The MFA has been withdrawn with effect from 1st Jan, 2005, and therefore, it would benefit the developing countries including India by way of increase in export of textiles and clothing.

5) Benefits of TRIP's Agreement :

The TRIP's agreements have benefited the developing countries like Brazil, India, China and others. The firms in developing countries have also developed new products and got them patented. Developing countries have also benefited by way of GIs status. For example, India has obtained GIs for products like Darjeeling Tea, Goa Feni and so on.

Therefore, it can be concluded that the WTO has created both a positive and negative impact on developing countries. It is expected that the developing countries like Brazil, India, China, South Korea would greatly benefit from WTO agreements in the coming year, provided they make efforts to improve efficiency and international competitiveness.

5.4 TRADING BLOCKS

A trading block is a group of countries within a geographical region that associate to promote and manage trade activities. Trading blocs are formed to encourage trade of goods and services among members and to establish a collective bargaining force against non members.

This kind of regional economic integration has intensified over the years. European Union, NAFTA, OPEC, ASEAN, SAARC etc. are some of the prominent trading blocs.

5.4.1 Objectives of trading blocs :

The main objectives of trading blocs are-

1) To reduce or if possible to eliminate trade barriers among member nations.
2) To promote free transfer of labour, capital and other factors of production.
3) To maintain better cultural, social and political ties with each other.
4) To assist member nations in any possible way with special reference to international trade.
5) To promote growth of the region through mass production and marketing of goods.
6) To bargain collectively with the non-members by means of their collective strength.
7) To impose common external tariff and non tariff barriers on non-members.

5.5 EUROPEAN UNION (EU)

5.5.1 INTRODUCTION

This was orginally established as European Common market by the treaty of Rome in 1957, and come into operation in 1959. The founder members of the community were France, west Germany, Italy, Belgium, Netherlands and Luxembourg. In 1973 UK joined the community. Today it is known as EU, and Comprises Belgium, Denmark, France, Greece, Ireland, Italy, Nether lands, Portugal, Spain, United Kingdom, Germany, Luxembourg, Finland, Austria and Sweden.

The association has advanced to the extent of removing most trade barriers and allowing free movement of persons and goods within the union. They have also established a European Parliament for which member are selected from each country on proportionate basis, and are given powers to legislate may issues which are them ratified by the government at percent there are 27 member nations of European Union.

5.5.2 OBJECTIVE OF EUROPEAN UNION :

The main objectives of European union are as follows :

1. To eliminate trade barriers on member nations.
2. To assist member nations during the times of emergencies.
3. To develop cultural and social relations.
4. To promote free transfer of labour and capital among member nations.
5. To bargain collectively with the non-members by means of collective strength.
6. To impose common external barriers on non-members.

5.6 NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

5.6.1 INTRODUCTION

The North American Free Trade Agreement (NAFTA) is the most powerful trade bloc in the world. The member of the bloc are USA, Canada, and Mexico. This bloc came into operation in 1994. The NAFTA is basically a trade and investment agreement with a view to reduce barriers on the flow of goods, services and people among the three countries. The agreement covers only goods and services manufactured / produced in North America or if imported goods and services that meet certain local content requirements, the nationality of ownership does not matter, as long as such local content requirements are net.

NAFTA has a total population of 360 millions. Its formulation is an attempt to gain comparative advantage against the enlarged European Union and to at pace the EEA. This trade agreement is quite comprehensive and covers many areas such as tariff reduction, free movement of professional among the member countries, free movement of professionals among the member countries, financial and direct investment matters and consumer safety. There are “side agreements” relating to protection of labour and protection of the natural environment. The NAFTA treaty envisages elimination of all trade and investment restrictions among the member countries over a period of 15 year.

5.6.2 OBJECTIVES OF NAFTA :

The main objectives of NAFTA are as follows :

1. To eliminate trade barriers on trade and facilitate movement of goods and services.
2. To develop cultural and social relations.
3. To remove restrictions on transfer of technology to member nations.
4. To negotiate collectively with non-members on certain foreign trade matters.
5. To promote fair competition in FTA.
6. To provide protection and enforcement of intellectual property rights.
7. To develop industries in Mexico in order to create employment and to reduce migration from Mexico to USA.
8. To assist Mexico in earning additional foreign exchange to meet foreign debts burden measures undertaken by NAFTA.
    a. Residents of NAFTA nations can invest freely in other NAFTA countries.
    b. Protection of intellectual property rights of the members countries.
    c. Free movement of labour from one country to another.
    d. Pollution control along the USA - Mexico border.
    e. Standardisation of product standards in member countries.

5.7 ASSOCIATION OF SOUTH EAST ASIAN NATIONS (ASEAN)

5.7.1 INTRODUCTION

The ASEAN was established on 8^{th} August, 1967 in Bangkok by five original member nations that include Malaysia, Indonesia, Philipines, Thailand and Singapur. At present there are 10 members who also include Brunei, Combodia, Laos, Myanmar and Vietnam.

ASEAN original purpose was to preserve peace among its member nations and to respond to the communist threat in the region from china. During the first nine years of its existence, ASEAN's primary focus was political.

The economic co-operation began at the first ASEAN Summit in Bali in 1976, when the declaration of ASEAN accord was signed. The ASEAN countries agreed to co-operate in the supply and purchase of basic commodities, the establishment of preferential trading arrangements, and the stabilization of prices in the region and promotion of export earnings from production of regional commodities.

The ASEAN countries formed the ASEAN free Trade Area (AFTA) in September, 1994. The AFTA initially set to function for 10 years in order to develop inter ASEAN trade.

5.7.2 OBJECTIVE OF ASEAN :

The main objectives of ASEAN are as follows :

1. To accelerate economic growth, social progress and cultural development of member countries.
2. To promote active collaboration and mutual assistance in matters of common interest.
3. To maintain close co-operation with the existing international and regional organization with similar aims.
4. To ensure the stability of the South East Asian Region.

Check Your Progress

1. Define the following terms
   a. Trading blocs
   b. WTO
   c. NAFTA
   d. European Union
   e. ASEAN

2. Enlist the functions of WTO

5.8 SOUTH ASIAN ASSOCIATION FOR REGIONAL CO-OPERATION (SAARC)

5.8.1 INTRODUCTION

Seven nations in the Indian subcontinent region have joined hands to form the South Asian Association for Regional Co-operation (SAARC) in 1985. The SAARC members include India, Pakistan, Srilanka, Bangladesh, Nepal, Bhutan and Maldives. Its headquarter has been established at Kathmandu. A conference of heads of the countries is held every year but conferences were generally delayed for the one reasons or the other.

Among the SAARC countries, concessional tariff rates have been introduced for 226 trade items. These concessional rates range between 10% to 100%. India gave this concession to 106 items, which is the highest among all SAARC countries. Similarly, other member countries also gave concessional rates.

To explore trade possibilities among SAARC nations, first SAARC trade fair was held at Pragati Maidan in New Delhi on January 9-14, 1996. The theme of the fair was co-operation for growth. SAARC nations displayed their various products and also their export capacities in this fair.

5.8.2 OBJECTIVES OF SAARC :

The main objectives of SAARC are as follows :

1. To promote welfare of the people of the region and to improve the quality of life.
2. To accelerate economic growth in the region through regional co-operation.
3. To accelerate social progress and cultural development.
4. To promote and strengthen collective self-reliance among the member nations.
5. To contribute to mutual trust, understanding and appreciation of each others problems.
6. To strengthen co-operation with other developing countries.
7. To strengthen co-operation amongst member nations at international forums (such as WTO) on matters of common interests.
8. To co-operate with international and regional organizations with similar objectives.

5.9 OIL AND PETROLEUM EXPORTING COUNTRIES (OPEC)

5.9.1 INTRODUCTION

OPEC it is an organization of petroleum exporting countries. It was founded in 1960 by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. It is basic objectives were to unify and co-ordinate member's petroleum policies and to provide member states with technical and economic aid. The member countries coordinate their oil production policies in order to help stabilize the oil market and to help oil producers achieve a reasonable rate of return on their investment. This policy is also designed to ensure that oil consumers continue to receive stable supplies of oil. At present, it has 11 member countries.

OPEC member nations currently supply about 40% of the world's crude oil and 16% of natural gas.

OPEC helps oil producers to achieve a reasonable rate. Further, it aims to mange the supply of oil in an effort to set the price of oil on the world market. This helps in avoiding fluctuations that might affect the economies of both producing and purchasing countries.

There has been a continuous increase in India's share of export to OPEC countries. Saudi Arabia is the main market for Indian goods in the OPEC region.

5.10 POSITIVE IMPACT OF TRADING BLOCS

Trading blocs and free international trading do not go together. In fact, trading blocs are against the growth of free global / international trade. They adversely affect the process of trade liberalization at the global level. however, trade blocs are also useful for integration of economies of member countries. EU is one popular and successful trade blocs which has brought the integration of economies of member countries. All member countries are getting benefits from this trading bloc. In brief trading blocs have positive and negative aspect. It is mixed blessing. Let us, now briefly note the impact of trading blocs.

1) Trade Creation :

Economists argue that economic integration leads to trade creation. This is because a trading bloc may remove tariff on member nations. As a result a high cost producing country of the bloc can import goods from low cost producing member nation. Due to formation of a free trade area, there is proper allocation of resources, and the nations can take advantage of comparative cost. Due to the comparative cost advantage, trade creation takes place.

2) Competition :

The formation of a trading bloc leads to intense competition between firms of the entire bloc. Due to intense competition, the efficiency of the firms improves. This leads to reduction in prices and improvement in quality.

3) Economies of large scale :

Due to economic integration, there can be economies of large scale production and distribution. Firms in the region will try to specialize in these goods and services which they are more capable of producing. This leads to large scale production and distribution, which in turn brings economies of large scale. The economies of large scale are partly passed on to the consumers in the form of lower prices.

4) Economic Growth :

The formation of a trading bloc can increase economic growth of the region. Due to reduction of trade barriers, firms in the region would be in a position to produce goods at a lower price. This would increase demand, which in turn would lead to large scale production. The increase in production of goods and services may lead to economic growth in the region.

5) Employment :

Due to large scale production and distribution of goods, the employment also increases. There can be direct and indirect effect on employment. The direct effect in the industries producing goods and services. The indirect effect is due to the increase in employment in the supporting industries such as ancillary units, banking, insurance etc.

6) Technological Developments :

Due to economic integration, there can be improvements in technology. As the firms grow they would go for higher technological developments. A part of the increased profits can be utilized for research and developments for the purpose of improving technology that will help to reduce prices, and improve quality.

7) Investment :

There can be higher investment. The member nations may reduce or remove restriction on investment. Therefore, there can be an increase in intra regional investments, which in turn would increase the economic development of the region. Also, the region would be in a position to attract more investment from other countries due to its growth potential.

8) Social and Cultural relations :

Due to integration, there can be betterment of social and cultural relations in the region. The member countries can improve their relations with each other through the exchange and social programmes. This will indirectly help for the peace and prosperity of the region.

9) Better utilization of resources :

The economic integration would help to make better utilization of resources. Due to the growth of the region, there would be optimum use of physical resources, human resources and financial resources.

The optimum use of resources would in turn lead to higher efficiency and productivity of the various firms in the region.

10) Consumers welfare :

A trading bloc facilities consumer welfare in the region. Due to economic growth the employment opportunities increase, which in turn increase purchasing power, and the people can enjoy higher standard of living. Also, due to trading bloc, the consumers may have to pay lower prices, and at the same time enjoy higher quality products.

5.11 SUMMARY

In today's globalised world, international environmental factors have a very important role to play. The international institutions like OPEC, WTO, EU, SAARC, ASEAN, NAFTA etc. are the important factors affecting international business.

A trading bloc is a group of countries, which is formed for the purpose of economic, social and cultural developments in the region. EU, NAFTA, ASEAN, SAARC are some of the main trading blocs.

Trade blocs are against the growth of free international trade. However, trade blocs are also useful for integration of economies of member countries. Trade creation, Large Scale Production and distribution, economic growth, employment, technological development, higher investment, betterment of social and cultural relations, better utilization of resources, consumer welfare these are the positive points of impact of trading blocs.

5.12 QUESTIONS

1. Write a note on International Environment.
2. Explain the functions of WTO.
3. Discuss the positive impact of WTO.
4. Write a detailed note on EU.
5. Write a detailed note on NAFTA.
6. Write a detailed note on SAARC.
7. Write a detailed note on ASEAN
8. Write a detailed note on OPEC.
9. What is the positive impact of trading blocs?
10. Give the full forms of:
    a. WTO
    b. EU
    c. NAFTA
    d. SAARC
    e. OPEC
    f. ASEAN

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Unit-6

PROJECT PLANNING

Unit Structure :

6.0 OBJECTIVES

After studying this unit the students will be able to:

- Know the concept and meaning of business planning.
- Understand the steps in business planning process.
- Evaluate importance of project planning.
- Know the concept, contents and importance of project report.
- Explain types and importance of feasibility study.

6.1 INTRODUCTION

A Business plan is a document that is designed to serve as an overview of how a company will operate and grow its business. A typical business plan contains an executive summary, product or services description, the makeup of the company's management team, market and competition breakdown, marketing and sales strategy and financial planning and forecasting.

6.2 MEANING

Business planning is a process that involves the creation of a mission or goal for a company as well as defining the strategies that will be used to meet those goals or mission. The process of business planning can be very broad, encompassing each aspect of the operation, or be focused on particular functions within the overall corporate structure.

Business planning refers to a process of deciding in advance in respect of business activities.

6.3 STEPS IN BUSINESS PLANNING PROCESS

The following are the important steps in business planning process.

1) Analysis of Internal Environment :

In this stage the entrepreneur must analyse the internal environment prevailing in his firm. He must analyse the quality of manpower, machines, etc. He must also analyse management and labour relations, working conditions, management policies and practices, etc. Such analysis indicates strengths and weaknesses of the organization.

2) Analyse the external environment :

The next stage in business planning process is analyse the external environment. In include analysis of government policies, competitors' strategies, customer preferences etc. Such analysis indicates opportunities and threats to the firm. Therefore the entrepreneur must analyse the external environment.

3) Set Corporate Objectives :

The entrepreneur must set corporate objective in line with mission and vision of the organization. The objectives may be short term, medium term and long term i.e. one year, 3 to 5 year and more than five year respectively. The objectives must be specific, realistic, measurable, attainable, and time bound.

4) Formulate Strategy :

The entrepreneur and his management team must formulate strategies. A strategy is a long term plan to achieve long term objectives. The corporate strategies are framed by the top management, the divisional heads, the departmental heads and lower level managers.

5) Analysis of Strategies & Plans :

The management must analyse the strategies and plans. Cost benefit analysis must be conducted of each and every strategy on plan. Costs can be analysed in terms of production, distribution, and administration expenses. Benefits can be analysed in terms profits, market share, sales, goodwill, etc.

6) Selection of best Strategy :

The information from the research will lead to formation of the strategy you choose for your business. Revisit the strategy you created even before your research and dig deeper into decisions on appropriate marketing. Operations, and hiring for the first five years of the company's life. The entrepreneur must select the best strategy or plan.

7) Implementation :

The entrepreneur must make suitable arrangement to implement the strategy. Implementation of strategy involves organising and allocation of resources to various activities. Directing and motivating the subordinates to perform effectively.

8) Review :

Revisit the entire plan to look for any ideas or wording that is confusing, redundant or irrelevant to the points you are making within the plan. There must be periodic review of performance. The review is required to find out whether the organization is on the right track to achieve objectives. If required necessary modifications may be made in the strategy.

6.4 PROJECT PLANNING

Project planning is a process of designing a project in an orderly manner. It means determining the route or the manner in which the project is to be executed. The systematic execution of a project is just not possible without accurate project planning. Project planning starts with the discovery of a business opportunity and comes to an end with the completion of all details required for execution.

Project planning is the result of detailed investigation of various aspects i.e. technical, managerial, marketing and financial of the proposed business activity. Project planning is essential in the case of new project as it gives basic data required for the scrutiny of the proposed project and also for the execution of the project. It brings safety to the project and inures orderly completion.

6.5 IMPORTANCE OF PROJECT PLANNING

Project planning provides the blue print for starting and managing the project.

Following are the importance of project planning.

1) Achievement of strategic goals :

Every successful project delivers your future organization and helps it to accomplish its strategic goals. It organizations must flourish and keep up with competitive, its members must be effective at project management. Appropriate, careful planning will ensure that projects will not over run deadlines and pile on unexpected costs. Such a situation would only endanger the anticipated corporate benefits of the Organisation.

2) Time management :

It estimates the time required for a project to finish through the time management plan. It is essential to complete the project within specified time in order to achieve the predetermined objectives. Project planning specifies the time required for each and every activity right from establishing the enterprise to undertaking production activity.

3) Innovation :

Project planning may encourage creativity or innovation. For example, if the project planning targets are highly challenging, the employees of the company need to come up with innovative ideas to face the challenges and achieve the target.

4) Identifies Risk :

It identifies possible risks during the course of the project and makes preparations in case those risks may happen through the risk management plan. It is always better to have an insight about the possible financial, social, physical etc. risk involved in promoting and developing the project.

5) Motivation :

Project planning may motivate employees. Due to project planning, the company may achieve higher performance in terms of profits, market shares, etc. Therefore, the company management may motivate the employees by providing additional incentives such as increase in pay, higher bonus etc.

6) Better coordination :

It coordinates multiple resources within time and cost restraints almost accurately. For any production activity to be commenced various factors of production are required. Project planning brings clarity in acquiring and utilization of finds thereby ensuring proper coordination.

7) Investment Decision :

Project plan supplies vital information about the cost of raising funds, operating cost, expected rate of proposed project, etc. Therefore, project plan can be used by promoters to take investment decisions such as debt equity ratio.

8) Specifies Quality :

It gives a clear detail on the standards of the projects and what should be expected from the project through quality management plan. People working down the hierarchy become aware of the standard that is expected about the product and their performance.

9) Project Evaluation :

Project plan acts as a controlling device to check the project progress and the project expenditure. Corrective measures can be taken to correct if there any deviations between planned expenditure and actual expenditure of the project.

6.6 PROJECT REPORT

A project report is a written document containing complete information about the proposed project in summary form. It serves as the base for feasibility studies and actual execution of the project. It is generally prepared by the company's own technical experts and professionals, or by outside experts or consultants like Consulting Engineer, Management Consultants, and Chartered Accountants. A project report is very useful to know in detail the technical, marketing and other issues relating to the proposed business proposal. It is useful while submitting proposal for government license and permission. It can be prepared in a standard form or as per specific needs of the clients it should be drafted with proper care. It must be self-explanatory for which tables, charts, engineering maps and drawing etc. can be attached to the report. Bank and other financial institutions insist on such project report along with the loan application for the project. Many banks have their printed project report forms. The concerned party has to supply information in this form and attach the completed form to the loan application. Financial institutions need project report because the lending institution certainly desires to study the soundness of the proposed project before granting a loan. The financial institution appoints experts staff for the scrutiny of project reports.

6.7 CONTENTS OF PROJECT REPORT

1. Name, address and other details of the sponsoring agency.
2. Brief history and summary of proposed project.
3. Salient features of the project with particular reference to land, buildings, plant and machinery and raw materials, availability of labour etc.
4. Technical details of the project which include the details of plant layout, location, manufacturing process, products, etc.
5. Manpower requirement of the project.
6. Financial aspects of the project.
7. Cost of production and profitability.
8. Total income, operative profit and net profit.
9. Information regarding marketing.
10. Importance of the project to the national economy.

6.8 IMPORTANCE / ADVANTAGES / USES OF PROJECT REPORT

Following are the importance of project report.

1) Useful as a reference document :

Project report is a complete and comprehensive document. It is useful for quick reference during the process of execution of the project.

2) Facilitates feasibility study :

Project report is useful as a base for feasibility study of proposed project. It helps the entrepreneur to evaluate the soundness of the project on technical and on commercial lines. Every project is subject to risk. The entrepreneur will conduct cost benefit analysis of the project. Only if the project is feasible, then only the entrepreneur may decide to venture in the proposed project.

3) Useful for securing bank loan :

Project report is useful for taking bank loan for the execution of the project. It is useful for obtaining loans and advances from banks and financial institutions. Banks would provide loans only after careful analysis of the project report.

4) Facilitates modification in the proposed project :

Project report is useful for modifications or improvement in the proposed project during the course of feasibility study or appraisal of the project.

5) Securing Government permission :

Project report is useful while submitting the proposal for government permission, licence, etc. Project report is also required to be submitted to the government authorities for obtaining government licence, permission and various government clearances.

6) Acts as a controlling device :

Project report is useful as a controlling device. It is useful for monitoring the project while under execution. It acts as a controlling device to check the project progress and the project expenditure. Corrective measures can be taken if there are any deviations between planned expenditure and actual expenditure of the project.

7) Facilitates investment decisions :

Project report is useful to the promoter to take investment decisions as regards the project to be executed. It is also useful for the investors who provide capital to the proposed project by subscribing to the shares and debentures. The investors may analyse the project report to decide whether or not to invest in such a proposed project.

8) Facilitates Suppliers :

Project report is useful to the suppliers of raw material on credit, technical supports and workshop etc. The suppliers of equipment on credit or on hire-purchase basis may also require project report to understand the soundness of the project. They may provide the equipment on rent / credit only when the project has potential in generating funds to repay the credit amount.

Check Your Progress

1. "Business planning refers to a process of deciding in advance in respect of business activities". Discuss.
2. Define the following terms
   a. Business planning
   b. Project planning
   c. Project report
3. "Project planning provides the blue print for starting and managing the project". Discuss.
4. Enlist the importance of project report.

6.9 FEASIBILITY STUDY

Feasibility study of a project refers to finding out the practical utility or the future prospects of a project. It is an impartial and a scientific study of the project before its final selection. Feasibility study is undertaken by experts. It may also be undertaken independently by banks or financial institutions. Even the government agency may conduct feasibility study before granting licence, permission or financial assistance to a new project. Such a study is necessary and useful especially in case of large projects which need huge financial investment. The basic purpose of feasibility study is to find out whether the project is technically, economically, financially and managerially sound. Although every feasibility analysis is different and is tailored to suit the product, its goal is to identify the strengths and weaknesses of a project.

6.10 TYPES / AREAS OF FEASIBILITY STUDY

Following are the important types / areas of feasibility study.

1) Technical feasibility study :

Technical feasibility relates to the technical aspects of the project. Location, size, layout and technology are the important aspects which are considered in the technical feasibility study. Certain basic requirements of the project such as water supply, fuel, transport, waste disposal are also considered while conducting technical feasibility study. Location is an important consideration, because project fails when located at an inconvenient place. Similarly, an uneconomic size suggested in the project may bring financial loss to the project. In the same way, old and outdated technology affects the quality and cost of production adversely. It is also possible to alter or improve the project from such technical feasibility study.

2) Economic / Market feasibility study :

Economic feasibility study relates to the market and marketing of proposed product. This feasibility study begins with an estimate of market demand which should be as accurate as possible. Over-estimation of demand results in over-investment and low return on the investment made. The success and profit of a project largely depend on the market available for the product both at present and in future. The market potential is extremely complicated due to rival producers, market competition and substitutes available. Even the export market for the product should be estimated if the product is suitable for export trade.

3) Commercial / Financial feasibility study :

Commercial feasibility study relates to the financial aspects of the project. This study is concerned with capital cost estimates, working capital needs, sales revenue, earning estimates, cash-flow studies and availability of funds for the execution of the project. Financing agencies like banks and financial institutions are interested in the profitability of the project as recovery of loan given is directly related to profitability of the project. The commercial feasibility study is important to the sponsors of the project as one basic purpose while executing the whole project is to earn profit.

4) Managerial Feasibility Study :

Managerial feasibility study needs to be studies while preparing the technological and economic feasibility study. It is advisable to ensure that all ingredients of efficient management are taken into consideration in the proposed project. The managerial personnel at all levels need careful consideration in this study. In addition attention should be given to other points like organizational structure envisaged for the project, requirement of different categories of personnel and so on. The success and profitability of the project partly depend on managerial competence.

5) Legal Feasibility Study :

Legal feasibility study not necessarily last, but all projects must face legal scrutiny. When an organization has either internal or external legal counsel, such reviews are typically standard. However, a project may face legal issues after completion.

6.11 IMPORTANCE / ADVANTAGES OF FEASIBILITY STUDY

Following are the importance / advantages of feasibility study.

1) Facilitates selection of best project :

The sponsors may have two or three project in hand. They may undertake feasibility study of all the three and compare their feasibility reports. They can easily select the best project or the most promising project and execute the same on priority basis.

2) Suggests future prospects :

Feasibility study is a complete check-up of the proposed project. It tells clearly its worth, its future success and its practicability and future prospects. This is beneficial to the sponsors of the project. The sponsors know the possible success or failure of the proposed project well in advance.

3) Avoids wastages :

Feasibility study is an effective way to safeguard against wastage of further investment resource. Wastage of resources on unsound / defective project is avoided due to timely feasibility study.

4) Ensure Safety :

Feasibility study gives more safety and security to the sponsors of the project. It provides the stakeholders with evidence that the project will be viable. Therefore, it helps in securing funding from lending institutions and other investors.

5) Changes possible :

The sponsors can introduce suitable modifications / changes in the existing project so as to make it more promising, safe and secured.

6) Execution of unsound project avoided :

Execution of unsound / defective project is avoided due to detailed feasibility study. This also avoids the failure of the project after execution.

7) Provide information :

Feasibility study provide necessary information for decision making relating to the operations of the proposed project and other activities in the organization.

8) Cost of business plan reduce :

The research and information of the feasibility study will support the business planning stage and reduce the research time. Hence, the cost of the business plan will also be reduced.

6.12 SUMMARY

Project report is a summary of the entire project planning in a written format. It serves as the base for feasibility studies and the actual execution of the project. It contains all necessary data which helps the financial institutions / banks to appraise the project when the entrepreneur approaches them for financial assistance. Usually the project report contains the name, address and brief history of the proposed project. It highlights the salient features like land, building, plant and machinery, raw material etc. Technical details like plant layout, location manufacturing process, product etc. are also included. The financial aspect of the project which includes cost of the project, fixed assets, working capital and the source of finance in detailed. It evaluates the cost of production and profitability, total income, operative and net profit etc. The marketing information related to present and future demand, nature of competition and marketing strategies are also explained.

Feasibility study of a project means to find out its future prospects i.e. it viability. It is a critical evaluation of all details of the project as given in the project report. It includes technical, economic, commercial, legal and managerial evaluation of the project. Technical feasibility evaluates the location, size, layout, and technology and the important technical aspects of the projects. Economic or market - feasibility evaluate the market demand for the product / services both at present and the future. The commercial financial feasibility study estimates the capital, working capital, needs, sales revenue, earning estimates, cash-flow and the availability of fund and also the break-even point study. Managerial feasibility looks into the organizational structure, managerial competence required and the requirements of different categories of personnels.

6.13 QUESTIONS

1. What is business planning? Explain the steps in business planning.
2. Discuss the importance of project planning.
3. Explain the importance of project report.
4. Discuss the various types / areas of feasibility study.
5. What is a feasibility study? Explain its importance?
6. Write short notes:
   a. Feasibility study
   b. Steps in business planning process.
   c. Project report
   d. Project planning

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Unit-7

BUSINESS UNIT PROMOTION

Unit Structure

7.0 OBJECTIVES

After studying the unit the students will be able to:

- Elaborate the concept of business promotion.
- Know stages or steps of business unit promotion.
- Understand the factors determining the location of setting up of a business unit.
- Provide you with an overview of the role of government in business promotion.
- Explain licensing and registration of companies.
- Know about filling returns, other documents and important legal provisions.

7.1 INTRODUCTION

Business unit promotion refers to all those activities relating to setting up and promotion of business units.

Business promotion simply refers to all those activities that are required to be undertaken to establish a new business unit for manufacturing or distribution of any product or provide any service to the people. It starts with conceiving an idea of business or discovering an opportunity for doing a business, assess its feasibility and then take the necessary steps to launch the business unit. This involves ascertaining as to whether all the basic requirements such as land, building, raw materials, machine, equipments etc. are available or not. If they are available one can assemble them, arrange the necessary funds and set up the business unit to give shape to the initial idea of establishing the business.

7.2 STAGES OF BUSINESS UNIT PROMOTION

The following are the main stages in setting up of a business unit.

1) Discovery of business opportunity :

The task of a promoter starts with his conception of a business activity. Here, the promoter considers available business opportunities and selects the one which is most promising and can be used with limited risk. The promoter also considers the capital requirement for the proposed business activity.

2) Size of the business firm :

The decision about the size of the firm i.e. the scale of operations needs to be taken after finalizing a specific promising opportunity for setting a business unit. The size of the firm is influenced by a variety of factors such as financial, technical, marketing, managerial and so on. The size decided should be most appropriate or ideal.

3) Location of a business unit :

Deciding suitable location is one major step in the setting up of a new business unit. Location means the selection of the region, area and the specific site where the proposed unit is to be located. Selection of the wrong location may prove costly for the business. The various factors that should be taken into consideration are easy availability of raw material and labour, nearness market, supply of power and water, availability of banking, warehousing and communication, transport facilities. One should consider alternate location and select the best among them.

4) Selection of form of organization :

In this step, the decision is taken as regards the form of organization of the proposed enterprise. It may be organised as a sole proprietorship, partnership, Joint Stock Company or a co-operative society. While deciding a suitable form, various factors such as capital requirement, managerial skill requirement, size of the business and market available need careful consideration.

5) Financial and Tax Planning :

Adequate capital is essential for starting an enterprise and also for its smooth working. Appropriate financial planning ensures financial stability. The promoter should estimate the total financial layout which includes both fixed and working capital requirement and decide its sources. Tax planning helps to minimize tax liability. It depends on the form of organization, the areas where business is to be started as tax holiday and tax concession is given for units in hilly and backward areas.

6) Physical Facilities :

In this stage, the promoters have to decide the manner in which the physical facilities are to be arranged for a new enterprise. Promoters are expected to give attention to infrastructure facilities required by a new enterprise. Such as water, electricity, disposal of waste material, machinery, raw material, manpower, training of employees etc.

7) Legal formalities :

Setting up of a new enterprise particularly a large enterprise involves various legal formalities. Here, promoters have to study the legal provisions made by the government and local authorities for setting up of new business enterprises.

8) Organisation Structure :

Suitable internal organization structure is necessary for the conduct of business activities of an enterprise in an orderly manner. This avoids confusion, duplication of work and wastages of all kinds. While deciding organization structure, attention needs to be given to departmentation, delegation of authority and co-ordination among departments.

9) Manpower requirements :

In this stage, the promoters estimate the manpower requirement. It includes skilled and unskilled employees, supervisors, junior executives, managers, professionals and so on. Manpower is essential for efficient working of an organization, similarly, manpower requirement needs to be estimated correctly as the recruitment, selection, training and other human resources development activities are undertaken as per the manpower requirement estimated.

10) Launching the Enterprise :

At this final stage, the major portion of promotional work before starting a business enterprise comes to an end, and the actual work of starting the business activity starts. This includes the acquisition of land, the necessary construction work, purchase of machinery, tools and equipment, hiring of manpower, conducting production on trial basis etc.

7.3 FACTORS DETERMING LOCATION FOR SETTING UP A BUSINESS UNIT

Business firms need to select the best suitable location for setting up a business unit. Some of the important factors that affect location include the following.

1) Nearness to raw material :

Generally, raw material constitute around 50% to 60% of the total cost. Hence it would be advisable for the plant to be located near the source of raw materials. Nearness to the source of raw materials is of special importance when the material is bulky in relation to its value a when the volume & weight are greatly reduced during its processing.

2) Nearness to market :

Market is a place where products are sold. Nearness to market helps in reducing cost of transporting finished goods. It is possible to make goods available at the right time. It enables to render quick service and after sale service. Nearness to market is preferred when the product is fragile, perishable or bulky.

3) Infrastructure facilities :

Availability of infrastructure facilities like power, water, transport & communication, banking facilities etc. are important determinants for business location. Unavailability or irregular supply or shortage of above factors could adversely affect the production process. Availability of infrastructure facilities increases the efficiency of an enterprise.

4) Skilled Labour :

The need for adequate supply of labour is obvious. A good number of industries require skilled labour force such as engineers, managers, computer programmers etc. A business firm should consider the availability of competent and skilled labour in a particular state. However, nowadays, due to mobility of skilled labour, this factor is losing importance. Even though skilled labour is a basic need of an enterprise.

5) Law and order situation :

This is one of the most important factors, which business firm consider in locating a business unit in any region. For the smooth functioning of business activities, proper law and order situation is essential. In India, business firms are reluctant to set up business units in the North-Eastern States such as Bihar because of law and order problems.

6) Government policies :

The policies of the government like taxation policies, licensing policies, incentives such as subsidies provided etc. go a long way in deciding the location of the plant. For example government may announce tax exemptions to certain industries if they are started in certain areas. This may influence the location decision.

7) Natural Factors :

Natural factors affect the location of those industries which require a particular climate or weather conditions. For example, climate is an important factor in tea, coffee, rubber plantation.

8) Safety Requirement :

Certain factories may affect the health of the public in neighboring areas where the plant is located. Therefore, such industries must be located in remote areas away from residential areas. For example, explosive factors must be located away from residential areas.

9) Financial Facilities :

Finance is the basic need of each and every industries. Industries require huge capital. It gets attracted to those regions where income of the people is high and they are willing to invest for industrial activities.

10) Social infrastructure :

Social infrastructure is required for the development of employees and their families. It adds to the welfare of employees. Social infrastructure facilities include residential complexes, educational institutions, hospitals and health care centres, recreation facilities and so on. Some companies such as TISCO have created such facilities of their own.

11) Other Factors :

There are several other factors that may be considered in locating plant such as land cost, drainage and waste disposal facilities, community attitudes, sound industrial relations, expansion potential etc. The business firm considers other factors which decided the location of a business unit.

7.4 ROLE OF GOVERNMENT IN BUSINESS PROMOTION

The department of industrial policy & promotion was established in 1995. It has been reconstituted in the year 2000 with the merger of the Department of Industrial Development. Earlier Separate Ministries for Small Scale Industries and Agro and Rural

Industries. Heavy Industries and Public Enterprises were created in October, 1999.

The role and functions of the Department of Industrial Policy and Promotion primarily include as follows :

1) Formulation and implementation of industrial policy and strategies for industrial development in conformity with the development needs and national objectives.

2) Monitoring the industrial growth, in general and performance of industries specifically assigned to it, in particular, including advice on all industrial and technical matters.

3) Formulation of Foreign Direct Investment (FDI) policy and promotion, approval and facilitation of FDI.

4) Encouragement to foreign technology collaborations at enterprise level and formulating policy parameters for the same.

5) Formulation of policies relating to intellectual property rights in the field of patents Trademarks, Industrial Designs and Geographical Indications of Goods and administration of regulations, rules made there under.

6) Promoting industrial development of industrially backward areas and the North Eastern Region including International Co-operation for industrial partnerships.

7) Promotion of productivity quality and technical cooperation.

7.5 LICENSING AND REGISTRATION

A business enterprise has to follow legal provisions before starting the operations. At present licensing is required only for six industries i.e. alcohol, cigarettes, industrial explosives, defence, drugs and pharma and hazardous chemicals. The various legal provisions relating to licensing and registration of companies include the following.

1) Registration under the Indian Companies Act. 1956 :

A Joint Stock Company needs to register under Indian Companies Act, 1956. The promoter must obtain the incorporation certificate from the Registrar of companies. To obtain the incorporation certificate, a number of documents must be prepared and submitted to Registrar of companies these are memorandum of Association, Articles of Association, List of Directors, written consent of Directors, statutory declaration and other relevant documents.

2) Registration under Indian Partnership Act, 1932 :

A partnership firm may have to register under Indian Partnership Act, 1932. The partnership deed along with other relevant documents must be filed with the Registrar of firms. In Maharashtra, a copy containing Marathi translation of partnership deed must be filed. On registration, the partnership firm gets legal status.

3) Registration under the Bombay Shops and Establishment Act, 1948 :

The promoter of every establishment shall send to the inspector of the local area concerned, a statement in prescribed form together with prescribed fees, containing name of the promoter and the manager, postal address, name of the establishment, category, fee etc. The registration certificate is then issued to the establishment, which shall be prominently displayed at the establishment.

4) Registration of Micro and Small Enterprises :

Manufacturing units with investment in plant and machinery upto Rs. 25 lakh is known as micro enterprises. Manufacturing units with investment in plant and machinery upto Rs. 5 crore come under small enterprises. Both types of units must be registered with District industries centre (DIC). Such registration is required to avail of benefits or assistance meant for MSEs.

5) Obtaining Food and Drugs Administration Licence :

Promoters of business units dealing in hotels, food and drugs need to obtain FDA Licence, before starting operations. Separate FDA Licence are required for wholesale trade and retail trade in food and drugs items. To obtain FDA licence, application must be made to local FDA authorities, supported by relevant documents together with licence fees.

6) Clearance from Pollution Control Board :

If a business unit is engaged in manufacturing process which may pollute the environment, then in such a case, clearance is required from state Pollution Control Board. The promotes have to make an application supported by relevant documents to obtain clearance from pollution control board..

7) VAT and Excise Registration :

The business firm subject to VAT/CENVAT must register under Bombay Sales Tax, Act. and Central Sales Tax, Act,. Those firms not subject to VAT such as textile dealer need to not obtain BST and CST Registration. The business unit may also require excise registration. For this purpose, registration may be done with the excise authorities.

8) Registration with Directorate General of Foreign Trade (DGFT) :

Business firm intending to deal in foreign must register with Directorate General of Foreign Trade (DGFT) and obtain Importer-Exporters code number. For this purpose, application must be made to the local DGFT office, along with relevant documents.

Check Your Progress

1. Fill in the blanks
   a. A Joint Stock Company needs to register under -----------
   b. Manufacturing unit with investment in plant and machinery upto Rs. 25 lakh is known as ---------------------.
   c. Manufacturing unit with investment in plant and machinery upto Rs. 5 crore is known as ---------------------.
   d. Micro and Small Enterprises must be registered with ---------------------------------.
   e. The business firm subject to ------------------ must register under Bombay Sales Tax, Act. and Central Sales Tax, Act.
   f. Business firm intending to deal in foreign must register with --------------------------------------.
2. Enlist the main stages in setting up of a business unit.

7.6 FILLING RETURNS AND OTHER DOCUMENTS

1) Permanent Account Number (PAN) :

After incorporation, the company must obtain its Permanent Account Number (PAN). For this purpose, an application needs to be filed with the Income Tax Department in Form 49A with the necessary documents. PAN is mandatory for opening of Bank Account, filling of Income Tax returns and various other financial transactions.

2) Tax Deduction Account Number (TAN) :

After incorporation, the company must also obtain a Tax Deduction Account Number (TAN). For this purpose, an application needs to be filed with the Income Tax Department in Form 49B with necessary documents. TAN is required for depositing of TDS/TCS.

3) Value Added Tax (VAT) :

Value Added Tax (VAT) registration is required for a trading business. This is to be applied for the local Sales Tax Department in the prescribed forms along with specified fees and necessary documents. On completion of the formalities, a Tax Identification Number (TIN) is granted.

4) Professional Tax :

Professional tax is a tax on profession. It is applicable in same states in India and the rate of tax also varies from state to state.

5) Service Tax :

Service tax is applicable on an entity which is engaged in providing prescribed services. There are more than 100 services on which services tax is currently applicable. The rate of service tax presently is 10%.

6) Filling Annual Return :

The Secretary must file annual return with Registrar of companies within 60 days of Annual General Meeting.

7) Filling of Forms :

The Secretary has to file certain forms with the Registrar of companies. For example the Secretary has to file Form 29 and Form 32.

8) Filling of Annual Accounts :

The Secretary must file annual accounts with Registrar of companies. Section 220 of the companies Act, requires every company to file with Registrar of companies, 3 copies of balance sheet and Profit & Loss A/c of the company, along with 3 copies of relevant documents annexed thereto. The annual accounts must be filed within 30 days of the Annual General Meeting.

9) Filling of Corporate Tax Returns :

Companies i.e. domestic or foreign companies operating in India have to file corporate tax return within a certain period of time. The corporate tax is payable on the domestic or foreign companies any income which is income received in India, income arises in India and income arises outside India.

7.7 IMPORTANT LEGAL PROVISIONS :

Companies must follow various legal provisions relating to various Acts such as :

1) The workmen compensation Act.
2) The Trade Unions Act, 1926.
3) The Bonus Act, 1926.
4) The payment of wages Act, 1936.

5) The Factories Act, 1948.
6) The Minimum Wages Act, 1948.
7) The Employees State Insurance Act, 1948.
8) The Indian Companies Act, 1956.
9) The Micro, Small and Medium Enterprise Development Act, 2006.
10) The foreign Exchange Management Act, 1999.
11) The Industrial Disputes Amendment Act, 2010.

7.8 SUMMARY

Setting up means, 'the act of taking steps for the formation of something', here in this chapter it means the business unit. The number of stags involved in business unit promotion i.e. discovery of business opportunity, size of the business firm, location, selection of form of organization, financial & Tax planning, physical facilities, legal formalities, organization structure, manpower requirements and launching the enterprise. While promotion of a business unit number of factors also responsible for setting up of an enterprise i.e. raw material, market, infrastructure skilled labour. Law and order situation, Government policies, Natural factors, Safety requirement, finance, social infrastructure and other factors.

Government plays an important role in business promotion. A business enterprises has to follow legal provisions i.e. get licences and make registration before starting the operations. Company also fill the returns forms for its income received in India, income arises in India and income arises outside India from the domestic or foreign companies.

7.9 QUESTIONS FOR SELF-ASSESSMENT

1) What are the steps or stages involved in setting up of a business unit?
2) Explain the factors affecting business location.
3) Discuss the role of government in business promotion.
4) Explain the licencing and registration procedure of a business unit.
5) Write short note
   a. Filling returns and other documents.
   b. Licencing and Registration
   c. Role of government in Business promotion.
   d. Business location

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Unit-8

ENTREPRENEURSHIP

Unit Structure

8.0 OBJECTIVES

After studying the unit students will be able:

- To understand the concept of entrepreneurship.
- To know the importance of entrepreneurship.
- To elaborate the factors contributing to the growth of entrepreneurship.
- To distinguish between the entrepreneur and the manager.
- To know the concept of Intrapreneur.
- To differenntiate between Entrepreneur and Intrapreneur.

8.1 INTRODUCTION

The term “entrepreneurship” is often used synonymously with “entrepreneur”. Though they are two sides of the same coin, conceptually they are different. The entrepreneur is a business leader and the function performed by him is entrepreneurship.

8.2 DEFINITION AND NATURE OF ENTREPRENEURSHIP

8.2.1 DEFINITION OF ENTREPRENEURSHIP:

According to Robert Hisrich "Entrepreneurship is the process of creating something new and assuming the risks and rewards".

According to Peter P. Drucker "Entrepreneurship is neither a science nor an art. It is a practice. It has a knowledge base. Knowledge in entrepreneurship is a means to an end; that is, by the practice".

8.2.2 CHARACTERSTICS OF ENTREPRENEURSHIP :

The above definitions bring out the nature and characteristics of Entrepreneurship :

1) Innovation :

A businessman, who simply behaves in traditional ways, cannot be an entrepreneur. Innovation involves problem solving and the entrepreneur is a problem solver. According to Schumpeter entrepreneurship is a creative activity. An entrepreneur is basically an innovator who introduces something new in the economy.

2) Risk and Rewards :

Entrepreneurship activity is undertaken to assume risks and rewards. Any innovative activity is always subject to risks and uncertainties. If the innovative activity is successful, the entrepreneur will reap rewards, otherwise, the entrepreneur has to assume risks of failure. Therefore, an entrepreneur needs guts to assume risks, and he gets glory when there is success.

3) Managerial skill and leadership :

Managerial skill and leadership are the most important facets of entrepreneurship. Financial skills are only of secondary importance. A person who is to become an industrial entrepreneur must have more than the drive to earn profit. He must have the ability to lead and manage.

4) Exploits change into an opportunity :

An entrepreneur always looks for a change. If there is a potential for a change, he responds to it. He exploits the change as an opportunity for different business. Seeking change and converting into an opportunity is the hallmark of entrepreneurship.

5) Group Level Pattern :

Entrepreneurial characteristics are found in clusters which may qualify themselves as entrepreneurial groups. Entrepreneurial activity is generated by the particular family background, experience as a member of certain groups and as a reflection of general values.

6) Organisation Building :

Entrepreneurship implies the skill to build an organization. Organization building ability is the most critical skill required for industrial development. This skill means the ability to multiply one self by effectively delegating responsibility to other.

7) Gap Filling Functions :

The most significant feature of entrepreneurship is gap filling. It is the Job of the entrepreneur to fill the gap or to make up the deficiencies which always exist in the knowledge above the production function. Some inputs like motivation and leadership are vague and their output is indeterminate. An entrepreneur has to marshall all the inputs to realize the final product.

8) Social and Economic Development :

Entrepreneurship activity facilitates social and economic development. Due to entrepreneurship, the production of better quality goods and services take place, which in turn facilities economic growth of the nation. Also entrepreneurs play an important role in social development by supporting social development activities like health, education, community development, etc.

9) High Achievement :

People having high need for achievement are more likely to succeed as entrepreneurs. The achievement motive is, by assumption a relatively stable enduring characteristic of an individual. Achievement motive can be increased by deliborate efforts. Various studies an psychological roots of entrepreneurship reveal the presence of high achievement among successful entrepreneurs.

8.3 IMPORTANCE OF ENTREPRENEURSHIP

The importance of entrepreneurship in a developing economy lies in the fact, that an entrepreneur as a change agent is alone responsible for the development. Following are the importance of Entrepreneurship.

1) Economic Development :

Economic development is a highly dynamic process characterized by continual and of ten changes. As industry grows and income rises, pattern of demand shifts, new product are needed, new opportunities appear for the production of goods within the country, resulting in growth within the country, resulting in growth and development of the nation. Entrepreneurship activity contributes to the economic development of a nation.

2) Social Development :

Entrepreneurs play an important role in social development of a nation. He contribute funds towards social development activities like health, education, and community development activities. They also generate new and innovative ideas to enhance social development in the society.

3) Regional Development :

The growth of industry and business leads to a lot of benefits to the society. When the industries are concentrated in selected cities, development gets limited to these cities. When the new entrepreneurs grow at a faster rate, in view of increasing competition in and around cities, they are forced to set up their enterprises in the smaller town away from big cities. This helps in the development of backward regions.

4) Create wealth :

All individuals who search business opportunities usually, create wealth by entering into entrepreneurship. The wealth created by the same play a considerable role in the development of nation. The business as well as the entrepreneur contributes in some or other way to the economy, may be in the form of products or series or boosting the GDP rates or tax contribution. Their ideas, thoughts and inventions are also a great help to the nation.

5) Employment Generation :

Unemployment is the major problem of our country. The available employment opportunities can cater only 5% to 10% of the unemployed. Entrepreneurs generate employment both directly and indirectly. Directly create employment through self employment as an entrepreneur and indirectly by starting many industrial units they offer jobs to millions. Thus entrepreneurship is the best way to fight the evil of unemployment.

6) Capital Formation :

Entrepreneurs facilitate capital formation in the country. The entrepreneur provide employment to people. The employees save a part of their income. The entrepreneurs also save a part of their profits. These savings lead to investment. Investment in term facilitates capital formation, i.e. production of capital goods, which can be used for further production of consumer goods and services.

7) National Income :

National Income consist of the goods and services produced in the country and imported. The goods an services produced are for consumption within the country as well as to meet the demand of exports. The domestic demand increases with increase in population and increase in standard of living. The export demand also increases to meet the needs of growing imports due to various reasons. An increasing number of entrepreneurs are required to meet this increasing demand for goods and services. Thus entrepreneurs increase the national income.

8) Revenue to the Government :

The entrepreneurs provide revenue to the government. They provide revenue in the form of direct and indirect taxes. The direct revenue comes in the form of personal income tax and corporate tax paid by entrepreneurs. The indirect revenue comes in the form of excise duty, custom duty, service tax etc., paid by the entrepreneurs. The entrepreneurs paid revenue to the government in the various forms of taxes.

9) Consumer welfare :

Entrepreneurship activity facilitates consumer welfare. Due to innovative ideas, consumers can enjoy new and better types of goods and services. Also due to employment, purchasing power of the people increases, resulting in more demand for new and better type of goods. Therefore, the standard of living of the society improves.

10) Provides Satisfaction :

Although entrepreneurship is a challenging task but in most of the cases the rewards it gives are much more than what one anticipates. It does not only reward an entrepreneur at financial levels but also an personal level. It provides satisfaction to the entrepreneur.

8.4 FACTORS CONTRIBUTION TO THE GROWT OF ENTREPRENEURSHIP

The emergence of entrepreneur in a society depends upon closely interlinked economic, social, cultural, psychological, political and personality factors. The factors contributing to the growth of entrepreneurship are as follows :

1) Economic Policies :

The economic policies of the government and other financial institutions and the opportunities available in a society as a result of such policies play a crucial role in exerting direct influence on entrepreneurship in view of the haphazard development of economic zones.

2) Government Incentives :

Government is encouraging the entrepreneurs to establish their business in backward and tribal areas. This is primarily to arrest the migration of people from the villages to cities and to create employment opportunities locally. Government is promoting such development by giving incentives like tax holidays, subsidized power tariff, raw materials, transportation cost etc.

3) Social Factors :

A society that is rational in decision making would be favourable to entrepreneurship growth. Several less developed countries characterized by the presence of a social set up which is generally hostile to entrepreneurship. Education research and training are given very little importance. The process of division of labour comes to be decided upon by the hereditary principle rather than by aptitudes, skills and attainments of individuals.

4) Cultural factors :

If the culture is economically or monetarily oriented, entrepreneurship would be applauded and praised. In the less developed countries, people are not economically motivated. Monetary incentives have relatively less attraction. People have ample opportunities of attaining social distinction by non-economic pursuits. Men with organizational abilities are therefore not dragged into business.

5) Psychological Factors :

The psychological factors like high need for achievement, determination of unique accomplishment, self confidence, creativity, vision, leadership etc. promote entrepreneurship among individuals. On the other hand psychological factors like security, conformity and compliance, need for affiliation etc. restrict promotion of entrepreneurship.

6) Political Factors :

The political scenario and also the political stability of country influence the growth of entrepreneurship. The political system, which promotes free market, individual freedom and private enterprise, will promote entrepreneurship. It means entrepreneurship growth is depends upon the political factors.

7) Personality Factors :

In our country the entrepreneurship is looked upon with suspicion. The result is the personality of the entrepreneur has got greatly affected. Public opinion in the developing nations sees in the entrepreneur only a profit maker and exploiter. Many of the developing nations were exploited by foreigners for centuries. The people and their leaders therefore tend to see in the entrepreneur a suspect personality.

Check Your Progress

1. "An entrepreneur as a change agent is alone responsible for the development". Explain.
2. Enlist the factors contributing to the growth of entrepreneurship.
3. Define entrepreneurship.

8.5 DIFFERENCES BETWEEN THE ENTREPRENEUR AND THE MANAGER

1) Motive :

Entrepreneur is characterized by concepts such as creativity, innovation and soon, indicators of the desire to create "something from nothing"

A manager is characterized by concepts such as order, organization, procedures and so on indicating the desire to organize and maintain what exists.

2) Activity :

Entrepreneur gets directly involved in he business activity. Major areas of the venture are looked after by the entrepreneur himself.

A manager may delegate and supervise the activities of his subordinates. There may less direct involvement in the activities of the organization.

3) Status :

An Entrepreneur is not concerned about status symbols in his organization. He may not be influenced by titles or position symbols in the organization.

A manager is concerned about status symbols or titles in the organization. The titles / symbols fulfill ego needs of a manager.

4) Risk :

The myths describe entrepreneur as "wild risk takers", although many studies have shown that in fact the typical entrepreneur is very good at assessing risks.

On the other hand, the manager, who sees his task as strengthening and maintaining the company, is naturally afraid of risks and tries to maintain the status quo.

5) Responsibility :

An entrepreneur takes up personal responsibility for failures. This is because, he is directly involved in decision - making and action.

A manager may try to avoid responsibility. He may blame internal and external environment for failure. He may even collect selective dates to substantiate the failure.

6) Decision making :

The entrepreneurial organization is characterized by its informal, flexible structure, which allows it to adopt to changes required by its rapid growth.

A manager makes decisions after collecting detailed information and reaching operative conclusions, while relying on experts both from within and outside the organization.

7) Innovation :

Entrepreneurs always need to be innovative and dynamic. Creative ideas may enable them to succeed in the competitive world.

The manager also needs to be innovative, but not always. Especially managers at lower maintain status quo.

8) Failures and mistakes :

Entrepreneur undertakes risky activities. He accepts responsibility for failures. He deals with mistakes and failures.

A manager is cautious in his approach and therefore, he tries to avoid mistakes and surprises.

9) Approvals :

An entrepreneur makes his own decisions. No need for approval from others.

A manager at lower and middle level has to obtain approval for decision making from higher authorities.

10) Corporate culture :

Entrepreneur believe in dynamic corporate culture. They favour creativity, flexibility in decision making.

A manager does try to establish a well defined corporate culture, based on corporate values on one hand and commercial aims on the other.

11) Ownership and control :

Entrepreneur possesses direct ownership and control of resources. Entrepreneur may not have to depend on others for the allocation and utilization of resources.

A manager may lack ownership but they have control over resources of the organization. At times, there is need for allocation of resources from higher authorities.

12) Organisation Structure :

The entrepreneurial organization is characterized by its informal, flexible structure, which allow it to adopt to change required by its rapid growth.

The manager, on the other hand, requires a formal and fairly rigid organizational structure, which leaves no room for rapid reactions to business opportunities, but protects the organization from sudden collapse.

8.6 INTRAPRENEUR

In 1985, Gifford Pinchot introduced the term Intrapreneurship. Pinchot states that Intrepreneur is an entrepreneur within an already existing organization. The prime motive of intrapreneurship is independence and to get rewarded for performance. Due to high technology, increasing global competitive pressures, new market opportunities, need for innovation and timely action in rapidly changing business environment a rare new breed of corporate heroes have come to the fore in large organizations called intrapreneurs.

Intrapreneurs are entrepreneurs who stay at home, who catch hold of a new idea for a product, process or service and work to bring their vision to fruition within the framework of the organization.

8.6.1 Meaning :

An Intrapreneur is defined as “any of the dreamers who do”. Those who take hand on responsibility for creating innovation of any kind within the organization.

The intrapreneur may be a creator or inventor but he is always dreamer who finds out how to turn an idea into a profitable reality. Without them innovation remain merely a potential for the future.

8.7 CHARACTERISTICS OF INTRAPRENEUR

The following are the important characteristics of intrapreneur.

1) Self Motivated :

Intrapreneurs are not only self motivated and goal oriented but also respond to corporate recognition and rewards. They need freedom and access to corporate resources.

2) Self-confidents and courageous :

Many intrapreneurs are cynical about the system, but optimistic about their ability to out-wit it. They are bold, self-confident and courageous.

3) Freedom :

Intrapreneurs consider traditional status symbol as a Joke but he treasures symbols of freedom.

4) Education :

Intrapreneur is often highly educated particularly in technical field but sometimes not.

5) Systems :

The intrapreneur dislikes systems but learns to manipulate it. He works out the problems within the system or bypasses it without learning.

6) Very like an entrepreneur.
7) Focus on customer.
8) Patient and willing to compromise.
9) Better relation with father but still stormy.
10) Transaction within hierarchy.

8.8 DIFFERENCES BETWEEN ENTREPRENEUR AND INTRAPRENEUR

1) Meaning :

Entrepreneur is a person who undertakes business venture and assumes risks and rewards.

Intrapreneur is a person who acts like an entrepreneur within an existing organization.

2) Flexibility :

Entrepreneurship is flexible and agile, focused on establishment and growth.

Corporations have a tendency to be bogged down in self-preservation, the demands of stock holders and senior members dedicated to maintaining the status quo.

3) Motive :

The primary motives of an entrepreneur are independence, innovation and to get rewarded for performance by operating a business venture. The primary motives of an intrapreneur are independence, innovation and to get corporate reward from the organization in which he works.

4) Reward :

All progress, patent rights and profits are available to the entrepreneur.

The employing company owns the progress patents rights, and profits, which may or may not be shared with the intrapreneur.

5) Activity :

Entrepreneur gets directly involved in the business activity. Major areas are looked after by the entrepreneur himself.

For an Intrapreneur, there is direct involvement in the project, and there is less of delegation.

6) Goals :

Business goals, culture, and operational rules are the sole discretion of the entrepreneur.

Intrapreneur must remain within the boundaries of the business goals, culture, and operational rules.

7) Ownership and control :

Entrepreneurs possess direct ownership and control of resources. Entrepreneur may not have to depend on other for the allocation and utilization of resources.

An intrapreneur lacks ownership as he works in an existing organizations, but he has control over allocated resource.

8) Failure and mistakes :

Entrepreneur does not hide failures or mistakes. He takes up the responsibility for failures or mistakes.

An Intrapreneur may make an attempt to hide mistakes or to hide risky projects before they are ready.

9) Approvals :

An Entrepreneur makes his own decisions. No need for approval from others.

An Intrapreneur may have to take approval for major decisions from top management.

10) Decision making :

Corporate agreements, investments and distribution of profits are at the sole discretion of the entrepreneur. This would include any political or social backing.

Corporate agreements, investments, and distribution of profits are the employing company's business, and may include items in opposition to the Intrapreneur's beliefs and preferences.

11) Resources :

An entrepreneur makes use of his own resources, whether owned or borrowed.

An Intrapreneur makes use of resources of the firm in which he is working.

8.9 SUMMARY

Entrepreneurship according to Pete Ducker is neither a science, nor an art. It is a practice. An entrepreneur should have the following characteristics, innovative, risk and reward, goal-oriented, should have managerial skills, ready to face challenges, must have vision and able to take initiative. He should also have physical and mental staming. The government should support entrepreneur through incentive and assistances in the form of concession and subsidies. They are needed to ensure balanced regional development, overcoming inadequate infrastructure, promoting survival and growth and creating employment opportunities. Some of the incentives given by the central government. Entrepreneurship plays an important role in economic development, social development regional development and so on, entrepreneur provide revenue to the government. The emergence of entrepreneurs in a society depends upon closely interlinked economic, social, cultural, psychological, political and personality factors.

In the light of the foregoing, we can summarise that there is a world of difference between the entrepreneur the manager and

the intrapreneur, and indeed this was true until the last decade. But, it has become clear in recent years that the ideal manager will be one who knows how to combine certain traits of the manager, such as order and discipline with entrepreneur characteristics such as quick reaction to business opportunities, creativity and the ability to fill employees with a sense of vision and challenge.

8.10 QUESTIONS

1) Explain the nature and characteristics of entrepreneurship.
2) Define the term entrepreneurship and explain the importance of entrepreneurship.
3) What are the factors contributing to the growth of entrepreneurship?
4) Distinguish between entrepreneur and manager.
5) Distinguish between entrepreneur and intrapreneur.
6) Write short notes:
   a. Characteristics of entrepreneurship
   b. Intrapreneur

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Unit-9

ASPECT OF ENTREPRENEURS

UNIT STRUCTURE

9.0 OBJECTIVES

After studying the unit students will be able:

- To understand the concept and definition of entrepreneur.
- To study the various types of entrepreneur.
- To elaborate the competencies of entrepreneur.
- To know the entrepreneurship training and development centers in India.
- To explain the various problems and promotions of women entrepreneurs.

9.1 INTRODUCTION

An entrepreneur is one of the important segments of economic growth. Basically, he is a person responsible for setting up a business unit. In fact, he is the one who has the initiative, skill or innovation and who looks for high achievements. He undertakes new projects that creates wealth, open up many employment opportunities and leads to the growth of other sectors.

Entrepreneurs are found in every economic system and in every form of economic activity as well as in other social and cultural activities. They are found amongst labourers, artisans, exporters, importers, supervisors, engineers, bankers, professionals and also amongst farmers, fisherman and tribals. We find entrepreneurs even among philosophers, politicians and bureaucrats.

9.2 DEFINITION OF ENTREPRENEUR

According to Peter Drucker "An Entrepreneurs one who always searches for change, responds to it and exploits it as an opportunity".

Encarta world Dictionary defines entrepreneur as "(risk-taking business person), somebody who sets up and finances new commercial enterprises to make profit".

9.3 TYPES OF ENTREPRENEURS

The following are the different types of entrepreneurs.

A) According to the types of business.

1) Business Entrepreneurs :

Business entrepreneur are individuals who conceive an idea for a new product or service and then create a business to turn the ideas into reality. They almost tap both the production and marketing resources to develop a new business opportunity. They may set up a large size or a small size business.

2) Trading Entrepreneurs :

Trading entrepreneur is not concerned with manufacturing work, he only undertakes trading activities. He is basically a marketing person. He identifies potential markets, stimulates demand for his product line and creates a desire and interest among the buyers to purchase his product. He is engaged in both domestic and international trade.

3) Industrial Entrepreneurs :

Industrial entrepreneur is a product oriented man who starts an industrial unit for making some new product. He is a manufactures who identifies the potential needs of customers and tailors a product or a service to meet the marketing needs. He has the ability to convert economic resources and technology into a profitable venture.

4) Corporate Entrepreneurs :

A corporate entrepreneur is a person who demonstrates his innovative skill in organizing and managing a corporate undertaking. He is an individual who plans, develop and manages a corporate body.

5) Agricultural Entrepreneurs :

Agricultural entrepreneur is the one who is engaged in the agricultural activities. He uses latest technology to increase the productivity of agriculture and also adopts mechanization. He cover a broad spectrum of the agricultural sector.

B) According to the use of technology :

1) Technical Entrepreneurs :

Technical entrepreneur is as good as a craftsman. Because of his craftsmanship he develops improved quality of goods. He is concerned and concentrates more in production than marketing. He demonstrates his innovative capabilities in the matter of production of goods and rendering of services.

2) Non - Technical Entrepreneurs :

Non technical entrepreneurs are only concerned with developing alternative marketing and distribution strategies in order to promote their business. They are not concerned with the technical aspect of the product in which they deal.

3) Professional Entrepreneurs :

Professional entrepreneur is a person who established a business and sells out the running business and starts another venture with the same proceeds. He is not interested in managing or operating the business once it is established. He always conceives new ideas to develop alternative projects.

C) According to Motivation :

1) Pure Entrepreneurs :

Pure entrepreneurs is one who may or may not possess an aptitude for entrepreneurs but is tempted by the monetary reward or profit to be earned from the business venture. He is status conscious and wants recognition.

2) Induced Entrepreneurs :

An induced entrepreneur is one who is induced to take up entrepreneurial task due to the various policy measures, incentives. Concessions and tax benefits offered by the government to start a venture. A person with a sound project is provided with package of assistances for his project. Today government offers various concessions, incentives and financial assistances to small scale industries that has induced many people to start a small scale industry.

3) Motivated Entrepreneurs :

Motivated entrepreneur desire for self - fulfillment motivates new entrepreneur. He come into being because of the possibility of making and marketing some new product for the use of consumers. He is further motivated by reward in terms of profit if the product has a good sale.

4) Spontaneous Entrepreneurs :

Spontaneous entrepreneurs are naturally talented. They are persons with initiative, boldness and confidence in their ability that motivates them to undertake entrepreneurial activity. They have a strong conviction and confidence in their inborn ability.

D) Other Types :

I) According to Growth :

1) Growth Entrepreneurs.
2) Super-growth entrepreneurs

II) According to stages of Development :

1) First Generation Entrepreneurs
2) Modern Entrepreneurs
3) Classical Entrepreneurs.

III) According to Area :

1) Rural Entrepreneur.
2) Urban Entrepreneur

IV) According to Gender and Age :

1) Men Entrepreneurs.
2) Women Entrepreneurs.

V) According to Scale of Operation :

1) Small - scale Entrepreneurs.
2) Large - scale Entrepreneurs.

Check Your Progress

1. Define the following terms
    a. Spontaneous entrepreneurs
    b. Motivated entrepreneur
    c. Induced entrepreneur
    d. Pure entrepreneurs
    e. Professional entrepreneur
    f. Industrial entrepreneur
    g. Trading Entrepreneur

2. Fill Pure entrepreneurs in the blanks

a. According to stages of development types of Entrepreneur are --------------------------------------.
b. Small - scale Entrepreneurs and Large - scale Entrepreneurs are the types according to -------------------------.
c. --------------------- entrepreneur is as good as a craftsman.
d. ----------------- entrepreneurs are only concerned with developing alternative marketing and distribution strategies.
e. ------------------------- is the one who is engaged in the agricultural activities.
f. ---------------------- is an individual who plans, develop and manages a corporate body.
g. ------------------------- are individuals who conceive an idea for a new product or service

9.4 COMPETENCIES OF ENTREPRENEURS

A successful entrepreneur needs to have an all round personality, which comprises of the following elements :

1) Risk Taker :

An entrepreneur should have the capability to take moderate risk in critical situation and learn quickly from the failure. It is t be noted that entrepreneur take moderate risks, as compared to gamblers who take extreme risks.

2) Organizer :

Entrepreneurs need to be clever at handling people and situations. They not only need to be resourceful but need to be also good at managing and organizing the resources for starting the enterprise and kept it going. Therefore, entrepreneur requires highest level of organizing abilities.

3) Innovator :

An entrepreneur must have innovative ideas. The key to entrepreneurship is innovation. It is the capability to come out with new ideas and make them work in a competitive and consumer-oriented environment so an essential quality of an entrepreneur is that he must be innovative.

4) Technical Knowledge :

An entrepreneur must have sufficient technical knowledge. An entrepreneur with a high level of administrative ability, human relations, communication skill, creative and technical knowledge stand a much better chance of success. Technical knowledge also implies knowledge about the product, process or technology used in manufacturing.

5) Energetic :

An entrepreneur should have the ability to put in long hours of work, for which his energy level must be high, physical and mental fitness plays an important role. This means that there cannot be any compromise on hard work if an entrepreneur has to reach his goals. That is why he has to be perseverant and committed to his goals.

6) Patience:

Patience means steadiness, endurance and perseverance in the performance of a task. A good amount of patience is necessary in any type of occupation. Patience does not mean just waiting or tendency to stop working or delaying decisions. Patience means doing the work and then waiting for the result. In other words an entrepreneur should not wait for actions but can certainly wait for result of his efforts.

7) Decision making skill :

An entrepreneur should have the ability to take and implement decisions quickly but not hastily. He is required to take minor or major decisions. A successful entrepreneur is one who takes a right decisions at the right time and implements if efficiently and effectively.

8) Human Relation :

An entrepreneur must maintain good relations with his customers. He must also maintain good relations with his employees if he is to motivate them to perform their jobs at a high level of efficiency. In order to maintain good human relation he should have emotional stability, personal relations, tact fullness and consideration.

9) Open - mindedness :

Open - mindedness means a free and frank approach in accepting one's errors and then making efforts to rectify the same. A successful entrepreneur is open to constructive criticisms. He is willing to learn from his past experience and mistake and moulds himself for better future.

10) Communication skill :

An entrepreneur should have the ability to communicate effectively. Good communication means both the sender and the receiver of the message understand each others. He is more likely to succeed if he can communicate effectively with his employees, creditors, suppliers and customers.

11) Vision and foresight :

Every entrepreneur needs to be a visionary in order to turn his dreams into realities. They must be able to visualize and forecast future events and plan accordingly. Besides an entrepreneur is one who can analyse future need and trends and turn them into an advantage.

12) Motivator :

A entrepreneur should be a motivator. He has to influence people and make them think in his ways and act accordingly. He motivates his people to act to achieve the end result.

9.5 ENTREPRENEURSHIP TRAINING AND DEVELOPMENT CENTERS IN INDIA

In order to accelerate the speed of self employment and entrepreneurship development, the government has established various centres or institutes to impart training and development to entrepreneurs. Some of these are as follows :

1) District Industries Centres (DICs) :

The focus of attention for industrial development was mainly as large cities and state capital. Therefore, it was felt necessary to provide all the services and facilities to village and small industries under one roof. Accordingly, the DICs were established in 8th May, 1978 in order to cater to the needs of small units in rural areas.

The head of the DICs are general managers who are assisted by managers working under them. For every Taluka in the District, industries inspectors are appointed by the government who visit the office of the Panchayat Samiti once in a week. To guide the entrepreneur in order to solve their problems.

Functions of DIC :

- Identification and development of new entrepreneurs.
- Conducts training programmes.
- Offer technical advice to new entrepreneurs.
- Conducts industrial potential surveys.
- Evaluates the proposals received from entrepreneurs.
- Assists entrepreneurs in marketing their products.
- Assists export promotion of products.
- Undertakes product development for small industries.

2) Small Industries Development Organization (SIDO) :

Small Industries Development Organization (SIDO) was established in 1954. It provides training for entrepreneurship. It undertakes entrepreneurship development programmes through small industries service centers. It also provides support in the areas of credit, marketing technology and infrastructure to small industries. It provides number of facilities to small industries these are as follows :

- Quality control and testing.
- Training for entrepreneurship development.
- Preparation of project and product profiles.
- Technical and managerial consultancy.
- Assistance for exports.
- Pollution and energy audits.
- Economic and market survey.

3) Entrepreneurship Development Institute of India (EDIT) :

Entrepreneurship Development Institute of India (EDIT) was established in 1983 at Ahmedabad in order to create the institutional infrastructure for entrepreneurship development. It is sponsored by apex financial institutions, namely the industrial Development Bank of India, the Industrial Finance Corporation of India, the industrial credit and Investment Corporation of India, and State Bank of India. It is committed to entrepreneurship education, training and research. It strives to provide innovative training techniques, competent faculty support, consultancy services, Quality teaching and training material.

4) National Small Industries Corporation (NSIC) :

National small Industries Corporation (NSIC) was established in February 1955. NSIC is an ISO 9001 : 2000 certified company. It has been working to promote the growth of small scale industries and industry - related small scale services in the country.

The main **functions** of the corporation are -

- Higher purchase of machinery
- Marketing.
- Industrial Estates.
- Exhibitions.
- Production cum training.

5) Small Industries Service Institutions (SISIs) :

The SISIs are the field offices of SIDO. Set up in the early 1950s. These institutes give on the spot technical assistance and guidance to small-scale units to solve their technical problems. They also advice small units on new and improved techniques of production and in the use of modern machinery and equipment. There is a network of 28 SISIC in all the states to carry out its functions. The following are the services provides by SISIs.

- Technical advisory services.
- Management consultancy services.
- Economic advisory services.
- Managerial services.

- ❖ Marketing
- ❖ Entrepreneurial Development Programme.

6) National Institute for Entrepreneurship and Small Business Development (NIESBUD) :

The National Institute for Entrepreneurship and small Business Development (NIESBUD), located at Ahmedabad was set up in 1983. Indian Central Government started an organization called NIESUD with the main motto of co-ordinating activities related to entrepreneurship and small business development. The following are the major activities of the NIESBUD.

- ❖ Developing model syllabus for training.
- ❖ Facilitating and supporting central and state governments.
- ❖ Conducting programmes.
- ❖ Helps other entrepreneurs development.

7) Centre for Entrepreneurship Education and Development (CEED) :

Centre for Entrepreneurship Education and Development (CEED) ws launched in December, 1995, as an innovation centre that assist governments. Organizations and communities in helping people to achieve their potential through entrepreneurship. The following are the services of CEED.

- ❖ Technical assistance.
- ❖ Entrepreneurship consulting.
- ❖ Entrepreneurship training courses.
- ❖ Micro-finance systems.
- ❖ Resources publications.
- ❖ National Institute of Small Industry Extension Training (NISIET).
- ❖ Federation of Indian chamber of commerce and industry (FICCI).
- ❖ Rural Entrepreneurship Development Institute (REDI).

9.6 INCENTIVES TO ENTREPRENEURS IN INDIA

Entrepreneurs in India are offered a number of incentives in order to boost them to contribute to economic development. The term “incentive” means encouraging productivity. The objective of incentive is to motivate an Entrepreneur to set up a new venture in the larger interest of the nation and the society. Incentives include concessions, subsidies and bounties. Subsidy denotes a lump sum, which is given by the government to an entrepreneur to cover the cost. The term ‘bounty’ denotes financial aid given to an industry to help it to compete with other units in the country or in a foreign market. These incentives push an entrepreneur towards decisive decision and action.

Following is the lit of incentives and subsidies offered by the government of India to entrepreneur :

9) Incentives in Operation :

- ❖ Interest free loans.
- ❖ Exemption from property tax.
- ❖ Incentives to NRIs.
- ❖ Special incentives to women entrepreneurs.
- ❖ Exemption from income tax.
- ❖ Interest free sales tax loans.
- ❖ Sales tax exemptions.
- ❖ Land and building at concessional rates.
- ❖ Price preference to SSI units.
- ❖ Exemption from stamp duty.
- ❖ Provision of seed capital.
- ❖ Allotment of developed / constructed shed.
- ❖ Allotment of controlled or subsidized raw materials.
- ❖ Concessional water.
- ❖ Special facilities for import of raw materials.
- ❖ Taxation benefits.
- ❖ Excise concessions.

10) Subsidies in Operation :

- ❖ Export / import subsidies and bounties.
- ❖ Subsidy for research and development works.
- ❖ Capital investment subsidy.
- ❖ Transport subsidy.
- ❖ Interest subsidy.
- ❖ Subsidy for power generations.
- ❖ Subsidies to artisans and traditional industries including handlooms.
- ❖ Subsidy for buying test equipment.
- ❖ Subsidy for industrial housing.
- ❖ Subsidy / assistance for technical consultancy.
- ❖ Subsidizing the cot of market studies / feasibility studies or reports.
- ❖ Subsidized consultancy services.
- ❖ Subsidy for market studies.
- ❖ Subsidy for quality standards.

9.7 WOMEN ENTREPRENEUR

In India, participation of women as industrial entrepreneur has increased from 70s. Majority of them are engaged in the un-organised sector like agro-based industries, handicrafts, handloom and cottage based industries.

The government of India has defined a women entrepreneur as “an enterprise owned and controlled by a woman having a minimum financial interest of 51% of the capital and giving atleast 51% of the employment generated in the enterprise to women”.

9.8 PROBLEMS FACED BY WOMEN ENTREPRENEURS

Women entrepreneurs face a series of problems right from the beginning till the enterprise functions some of the problems faced by women entrepreneurs are as follows :

1) Problem of Finance :

Women entrepreneurs always suffer from inadequate financial resources and working capital. They are lacking access to external funds due to absence of tangible security and credit in the market. Women entrepreneurs also face the problem of obtaining working capital for financing day to day operation of their enterprise.

2) Marketing Problems :

Since women cannot run around for marketing, distribution and money collection, they have to depend on middle men for the above activities. These middlemen pocket large chunk of profit. They exploit the women entrepreneurs. They also lack skills in pricing and promotion.

3) Family Responsibilities :

In India, the involvement of a women in the family leaves little time and energy for business. The success of a married woman depends upon supporting husband and family. There arises a role conflict prevent them from taking prompt decisions in business.

4) Lack of Education :

In India literacy among women is very low. Due to lack of education majority of women are unaware of technological development, marketing knowledge, etc. Lack of information and experience creates further problems in setting up and running a business enterprise.

5) Social Attitude :

One of the biggest problems women entrepreneurs is the social attitude in which she has to live and work. There is discrimination against women in India despite constitutional equality. Women do not get equal treatment in male-dominated Indian society and male ego puts barriers in their progress. Entrepreneurship has traditionally been seen as a male preserve.

6) Problem of Raw material :

Women entrepreneur find it difficult to procure new material and the necessary inputs. The failure of many women co-operatives in 1971 such as those engaged in basket making were mainly due to the inadequate availability of forest based raw materials.

7) Low Risk Bearing Ability :

Normally, women entrepreneurs have low risk bearing ability. This is because, women in India lead a protected life. They are less self-dependent as compared to males. Secondly, they have to balance between household life and business work. Therefore, the risk bearing capacity of women gets reduced.

8) Competition :

Women entrepreneurs have to face severe competition from organized industries and male entrepreneurs. Despite the fact that women entrepreneurs are good in keeping their service prompt and delivery in time, due to lack of organizational skills compared to male entrepreneurs women have to face constraints from competition.

9) Limited mobility :

The women entrepreneurs have limited mobility as compared to make entrepreneurs. Business women need a good deal of traveling for conferences, meeting, negotiations, etc. However, the attitude towards women is bit reserved in India. For example, a single women asking for a room in a hotel is still looked upon with suspicion.

10) Lack of self confidence :

Women entrepreneurs because of their inherent nature, lack self-confidence which is essentially a motivating factor in running an enterprise successfully. They have to strive hard to strike a balance between managing a family and enterprise. Low level of confidence leads to low level achievement and advancement motivation to engage in business operations and running a business concern.

11) Problems of Technology :

The women entrepreneurs face the problems of technology. They often use outdated technology. This is mainly due to lack of funds, and lack of awareness of modern technology. Therefore, the overall performance of women enterprises gets affected.

12) Limited management skills :

Management has become a specialized job which only efficient managers perform. Women entrepreneurs are not efficient in managerial functions like planning, organizing, controlling, coordinating, staffing, directing, motivating etc. of an enterprise. Therefore, less and limited managerial ability of women has become a problem for them to run the enterprise successfully. It means women entrepreneur face the problem of management of an enterprise.

Check Your Progress

1. "A successful entrepreneur needs to have an all round personality". Explain.
2. Give the full forms and functions of the following:
   a. NIESBUD
   b. CEED
   c. SISIs
   d. DICs
   e. NSIC
   f. EDIT
   g. SIDO
3. "Women entrepreneurs face a series of problems right from the beginning till the enterprise functions". Explain.

9.9 PROMOTION OF WOMEN ENTREPRENEURS

With a view that women entrepreneurs should come forward in industrial field and become self-sufficient, government and financial institutions have announced many schemes of providing assistance. Some of the important schemes for women entrepreneurs are as follows :

1) Entrepreneurship Development Programmes :

To upgrade skills of potential women entrepreneurs, various institutions undertake Entrepreneurship development Programmes (EDPs). The entrepreneurship development programme encourage potential women entrepreneurs to set up small enterprises. Some of the training and development institutins are NIESBUD, SIDO, EDII & NISIET.

2) Seed capital scheme :

In order to start own business this scheme is undertaken by the government. Government provides funds @ 10% to unemployed youths and women. The seed capital provided is 10% to 15% of the total cost of the project. The percentage of seed capital is 22.5% for backward class candidates. The women is treated unemployed even if their husbands are doing business or service.

3) Training and Extension Services :

The programmes for training and extension services for women entrepreneurs will be organized by IDBI through designated / approved agencies independently and / or in association with other development agencies like. Entrepreneurship Development Institute of India, Technical consultancy Organisations (TCOs), Central / State Social Welfare Boards and KVIC.

4) Income Generating Scheme :

The Department of women and child Development implements this scheme. It provides assistance for setting up training - cum - income generating activities for needy women to make them economically independent.

5) Scheme on Trade Related Entrepreneurship Assistance and Development (TREAD) for women :

The government of India launched a scheme entitled “Trade Related Entrepreneurship Assistance and Development (TREAD) during the 9^{th} plan period. The scheme aims at economic empowerment of women through trade related training information and counseling. This scheme provides for marketing development and financial loans through NGOs. The assistance is provided for Self-employment ventures by women.

6) District Industrial Centres :

The concept of District Industrial Centres, was proposed in the 1977 Industrial Policy. The DICs become operational since 1979. the DICs provide special assistance to women entrepreneurs of SSI units in respect of training, research, and marketing assistance.

7) Mahila Arthik Vikas Mahamandal (MAVIM) :

The main object of this corporation is the economics and personality development of needy women in state of Maharashtra. This corporation gives necessary training and employment opportunities to enable the women to earn and become self-sufficient. The corporation will work as one of the institution for economic development of women. Every activity of the corporation shall be for making women economically stronger and self-sufficient. The corporation will be always searching for self-employment and group industries opportunities for women. MAVIM will take a lead in organizing institute for women all over Maharashtra state so that a strong organization for women can be created.

8) Self - Employed Women Association (SEWA) :

Self-Employed Women Association (SEWA) is an organization of poor, self-employed women workers. It is a trade union registered in 1972. The women in this organization earn a living through their own labour and self businesses. They do not obtain regular salaried employment with welfare benefits like workers in the organized sector.

He main objective of SEWA is to organize women workers for full employment where by workers can obtain job security, income security, food security and social security. SEWA is both an organization and a movement. It is a combination of three movements labor movement, co-operative movement and women's movement.

9.10 SUMMARY

Entrepreneurs are found in every economic system and in every form of economic activity as well as in other social and cultural activities. They classified as per types of business, use of technology, motivation, growth, stages of development, area, gender, age, scale of operation, etc. A successful entrepreneur need to have an all round personality. The government has set up various centres or institutes to impart training and development to entrepreneurs so as to improve their knowledge, attitude and skills.

In India, participating of women as industrial entrepreneurs has increased from 70s majority of them are engaged in the un-organised sector like agro-based industries, handicrafts, handloom and cottage based industries. Women entrepreneurs face a series of problems right from the beginning to till the enterprise functions. Some of the problems are - problem of finance, lack of education, social attitude, low risk-bearing capacity, limited mobility, etc. It is possible to promote women entrepreneurs in India. With proper governmental and societal support, these women can create sustainable organized and growth - oriented enterprises with a vision.

9.11 QUESTIONS

1) Explain the different types of entrepreneurs.
2) Discuss the role of entrepreneurship training and development centres in India.
3) Write a note on competencies of an entrepreneur.
4) Write a note on incentives to entrepreneurs in India.
5) What are the problems faced by women entrepreneurs in India.
6) Explain the promotion of women entrepreneurs.

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