UNIT –I

INTRODUCTION TO BUSINESS ENVIRONMENT

BUSINESS

Meaning :- business refers to an economic system in which goods & services are exchanged for one another or money, on the basis of their perceived worth. Or

Business refers to all those economic activities which are concerned with the production or purchase of goods & services for the purpose of sale at a profit.

Definition:-Acc. to R.Urwivk, "Business is profit can be more the main objective of a business than betting is the main of making profit & acquiring wealth through the satisfaction of human wants".

Acc. to F.C. Hooper" Business means the whole of complex commerce & industry the basic industries & the network of ancillary industry, distribution, banking, insurance, transportation and so on".

SCOPE OF BUSINESS(Nature) (5 marks 2017, 2018, 2019)

The scope of business can be described as follows

1. **Improvement in standard of living:-** Business helps people in general to improve their standard of living.
2. **Proper utilization of resources:-** it leads to effective utilization of the scare resources of society. It provided facility of mass production.
3. **Better Quality & large variety of goods & service:-** it involves production, purchase & sale of goods & service for price. Customer satisfaction is the backbone of modern business. Services such as supply of water, electricity etc, may be considered highly significant for the community.
4. **Creates utilities:-** business makes goods more useful to satisfy human wants. It adds to products the utilities of person, time, place, form, knowledge etc. Thus, people are able to satisfy their wants effectively & economically.
5. **Employment Opportunities:-** it provides employment opportunities to large number of people in society.
6. **Workers welfare:-** business organisation these days take care of various welfare activities for workers. They provide safer & healthier work environment for employees.

OR BUSIENSS COMPRISES TOW COMPONENTS OR BRANCHES VIZ INDUSTRY & COMMERCE(Followed in point notes).

OBJECTIVES OF BUSINESS

1. **Profit Making:-**

Profit is backbone of any business enterprise. It is excess of income over expenses. Profit is the main motivator, strong sustainers & judicious allocator of resources, objective indicator of efficient productivity & a solid basis for growth expansion & survival. It enables a businessman to realize his other objectives . ex:- Hospitals schools, Charitable institution & government agencies are not concerned with profits oriented

2. **Growth:**
   It is another primary objective of business. It should grow in all directions over a period of time. An enterprise which remains stagnant for long is presumed to suffer from an organic defect.
   There are various strategies adopted to achieve growth:-
   i. Add more products or markets
   ii. Integration forward or backward.
   iii. Increase market share
   iv. Diversify business into new areas.
   v. Expand markets. Etc..
3. **Power:-**

Business has vast resources such as money, materials, men & know-how .These resources confer enormous economic & political power on owners & managers of business ventures.

4. **Employee satisfaction & development:-**

The Chinese proverb says, " if you want to plan for a year, plant corn. If your want to plan for thirty plant a tree. But if you want to plan for 100 years plant a men". Carrying for employee satisfaction & their development has been one of the objectives of enlightened business enterprises.

5. **Quality of Products & Services:-**

This is one of the major objectives of business. Those who insisted on & persisted in quality survived competition & stayed ahead of other on the market persistent quality earns brand loyalty, a vital ingredient of success.

6. **Market leadership:-**

   To earn market leadership is yet another objective of business. To earn a niche for oneself in the market innovation is the key factor. Innovation may be in product, advertising, distribution, finance or in any other field.

7. **Challenging:-**

Business offers vast scope & poses formidable challenges. Success in a business venture speaks of the abilities of individuals who own & manage & failure, their inability & incompetence. The real worth of an individual is tested more in business than in any other profession.

8. **Service to Society:-**

Business is a part of society & has several obligations towards it. The following are:

i. Providing safe & quality of goods at reasonable prices.
ii. Providing employment.
iii. Patronizing cultural & religious activities.
iv. Maintaining & protecting environment.

9. **Good Corporate Citizenship:-**

Citizenship implies that the business unit complies with the rules of the land, pay taxes to the government regularly discharge its obligation to society & cares for its employees & customers. Bending rules of the land, evading by tax payment sunder invoicing exports & dubious tax planning, cornering license at the cost of others, adulating quality of products & indulging in other unethical practices may earn money, bust such practise hardly speak highly of corporate citizenship.

ENVIRONMNET

Environment is the sum of all living & non living things that surround an organism or group of organism. Environment includes all elements, factors & conditions that have some impact on the growth & development of certain organism.

BUSINESS ENVIRONMENT(2 marks 2017, 2018, 2019)

Meaning:- Business environment is an environment in which business is carried out.

Business environment encompasses all those factors that affect a company's operations, including customers, competitors, suppliers, distributors, industry trends, substitutes, regulations, government activities, the economy, demographics, social & cultural factors innovation & technological developments.

Definition:-

Acc. to William F Gluck " Business environment as the process by which strategists monitor the economic, governmental market, supplier, technological geographic & social settings to determine opportunities & threats to their firms".

Acc. to Misra & Puri the business environment of any organisation is the aggregate of all conditions events & influences that surrounding & affect business".

FEATURES OF BUSINESS ENVIORNMENT (5 marks 2017)

1. **Environment is Complex:-**
   A business environment has a plethora of factors events, conditions, & influences arising from a variety of sources. Therefore, it is very difficult to understand all the factors affecting a given environment at any time. Although we can understand it in parts, it is impossible to grasp it in totality.
2. **Environment is Dynamic:-**
   Business also keeps a changing constantly. This is due to a wide range of influencing factors. These factors create dynamism in the environment causing it to continuously change its shape & character.
3. **Environment is Multi faceted:-**
   Due to complexity & dynamism of a business environment, it continuously changes its shape & character. However, different observes view the changes differently. Therefore a particular observer might see a specific change in the environment as an opportunity while someone else might perceive it a threat.
4. **Environment has long term impact on business:-**
   Environment has long lasting impact on functioning of business organisations. Their growth & profitability depends upon the environment under which they have to operate. Environment influences business enterprises. Such influences may be positive or negative & may affect the profitability, efficiency & development of business.
5. **Environment influences business organization :-**
   Businesses organisational have limited capacity to influence business environment as it is the result of government policies & social & technological changes which are basically external variables.
6. **Environment and business planning go together:-**
   Business environment & 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 environment.

COMPONENTS/TYPES OF BUSINESS ENVIRONMENT (15 Marks 2017 , 2018 , 2019)

A. INTERNAL ENVIRONMENT

Internal environment refers to environment within the organization. It includes internal factors of the business which can be controlled by business. It includes objective of business, managerial policies, management & employee of the organization, labour management relationship, brand image & corporate image working conditions in the organisation, technological & research & development capabilities. Internal environment includes 5 M's I.e, Men, Material, Machinery, money & Management available with business organisation. These components usually within the control of business.

Some of the Internal Components are as follows

1. **Value system:-**
   The value system of the founders, Board of Directors, managers, workers of the organisation has important bearing on the strategies of the organisation.
2. **Mission & objectives of the business:-**
   Firm's philosophies, priorities, development, policies are guided by the mission & objectives of the organisation, mission & objective are the first steps in the development of the organisation.
3. **Organisation Structure:-**
   Organisational hierarchy is the authority which flow of from top to bottom. Some management structure & styles delay decision making & while other facilities quick decision making.
4. **Financial capability:-**
   Financial factors like financial policies, financial positions & capital structure etc. affect corporate strategies & decisions.
5. **Human Resource Management:-**
   The characteristics of the Human resources like skill, quality, morale, commitment, attitude, knowledge etc. could contribute to the strength & weakness of an organisation. Some organisations final difficult to carry out restructuring or modernization because of resistance from employees.
6. Marketing capability
7. Operational capability
8. Managerial policies
9. Brand Image & corporate Image
10. Research & development capability
11. General management capability.

B. EXTERNAL ENVIRONMENT

External environment refer to external aspects of the surroundings of business enterprise which have influence on the functioning of business. These factors are beyond the control of business. External environment includes factors outside the firm can provide opportunities or pose threats to the firm.

External environment has two types

i. Micro environment
ii. Macro environment

i. Micro Environment:- (5 marks 2018)

The micro environment of a company consists of elements that directly affect the company. It includes suppliers, customers, market intermediaries, competitors & customers etc.

Micro environment includes

1. **Customers:-**
   Customers are the people money to acquire an organisation's products. A consumer occupies the central position in the marketing environment. The marketer has to closely monitor & analyze changes in consumer tastes & preferences & their buying habits.
2. **Competitors**
   Competitors are the other business entities that compete for resources. A study of the competitive scenario is essential for the marketer, particularly threats from competition. In modern age an absolute monopoly is very rare thing. Most of the firms have to work in some type of competition such as monopolistic competition or oligopoly.
3. **Suppliers:-**
   Suppliers provide raw materials, equipment, services & so on. Suppliers with their own bargaining power affect the cost structure of the industry. They constitute a major force, which shapes competition in the industry. The quality of the commodity & the cost of production are considerably influence by the supplies of the inputs.
4. **Market Intermediaries:-**
   It includes agents & brokers who help the company to find customers. It is a link between the company & the consumer. They refer to the different levels in

the chain from the production unit to the final customer. The chain incorporates the stockiest, the wholesalers, the distributors, the retailers etc.

5. **Public:-**
   Public is any group that has actual or potential interest in the business. The prospects of firm depend upon the society in which it has to work & sell its products. In a homogenous society, the job of the firm is easy. The people have almost the same habits like & dislikes values & ethical norms. In a heterogeneous society the job of the firm is difficult. A particular product may be acceptable to particular of the society but not acceptable to some other sections.

ii. Macro Environment:-

Macro environment forces that creates opportunities & pose threats to the business units. The macro environment consists of

1. Economic Environment:-

It refers to those economic factors which have impact on the working of business. It consists of economic factors that influence the business in a country. These factors include gross national product, corporate profit, inflation rate, employment, balance of payments, interest rates consumer income etc.

a. **Economic conditions :-**
   Economic conditions include income level, distribution of income, demand & supply trends etc. if the company is in boom condition, it positively affects demand & market share. On the other hand if the economy is in depression it will have negative effects on the business.
b. **Economic Polices:-**
   Economic policies are framed by the government. These policies establish relationship between business & government. The effect of these policies may be favourable or unfavourable. Some of the policies are:

   i. Industrial policies
   ii. Fiscal policies
   iii. Monetary policies
   iv. Foreign investment policies
   v. Export – import (EXIM) policies.
c. **Economic system:-**
   Different economic systems prevails in different countries. These systems affect the business. The economic system includes capitalism, socialism &

mixed economies. The world economy is primarily governed by three types of economic systems i.e.,

i. Capitalist economy
ii. Socialist Economy
iii. Mixed economy

d. Economic Growth :-

The stage of economic growth of the economy has direct impact on the business strategies. Increased economic growth rate result in increase in consumption expenditure, lower the general pressure within an industry & offers more opportunities then threats.

e. The rate of interest:-

The rate of interest affects the demand for the products in the economy, particularly when general goods are to be purchased through borrowed finance. Low interest rated provides opportunities to the industries to expand whereas rising interest pose a threat to these institution.

f. Currency Exchange:- current exchange rates have direct impact on the business environment. When the rupee was devalued in 1991, it was to make Indian products cheaper in the world market & consequently boost India's exports.

2. Political Environment:-

Political environment affects the different business units. A stable & dynamic political environment is necessary for business growth. Political environment includes political stability in the country, relation of the government with other countries, welfare activities of government, centre-state relationship & views of opposition parties towards business. If the political system is stable & efficient then the business grows.

3. Socio-cultural Environment:-

Socio-Cultural environment refers to social & cultural factors which are beyond the control of business units. Such factors include attitude of people to work, family system, caste system, education system, habits, language, religion has considerable components of business environment. Religion has considerable effect on business. Some religious restrict their followers they do not allow its followers to engage in leather industry, wine making etc. similarly, the social environment of business also includes social factors like customer, traditions, values, beliefs, poverty literacy, life expectancy rate etc.

4. **Technology Environment:-**
   It is the most important factor which affects the business enterprise. The faster changes in technology create problems for business enterprises. Products have shorter life span than the past because of rapid technological developments. Technology provides various advantages. Success in many industries depends on innovation & research. To promote innovation & research some companies establish research & development departments in their enterprises.

5. **Legal Environment:-**
   It refers to the set f laws & regulations which influence the business organisation & their operations. every business organisation has to obey & work within the framework of law. The legal environment is derived partly from the political climate in a country & has three distinct dimensions to it:
   a. The law of the home country
   b. The law of the foreign markets
   c. International law in general

6. **Natural Environment:-**
   It refers to geographical & ecological factors which are beyond the control of the enterprise. It includes natural resources, weather & climatic conditions, landforms, rainfall, environmental pollution etc.
   Climate & weather conditions affect the location of certain industries like textile industries. Similarly environmental pollution in the form of air pollution, have caused disturbances in ecological balance.

7. **Demographic Environment:-**
   Demographic factor include size, growth rate, age composition, sex composition etc of population, family size, economic stratification of population, educational level, caste, religion etc. all these demographic factors are relevant to business. These factors affect the demand for goods & services. High population growth rate indicates an enormous increase in labour supply. Population with varied tastes, preferences, beliefs, temperaments etc. gives rise to differing demand pattern & calls for different marketing strategies.

8. **International Environment:-**
   A final component of the general environment is actions of other countries or groups of countries that affect the organisation. Governments may act to reserve a portion of their industries for domestic firms or may subsidize

particular types of businesses to make them more competitive in the international market.

International Environment factors are

i. Due to liberalization, Indian companies are forced to view business issues from the global perspective.
ii. Safe & protected markets are no longer there. World is becoming small in size due to advanced means of transport & communication facilities.
iii. Learning of foreign language is must for every business manager.
iv. Acquiring familiarity with foreign currencies is also must.
v. Facing political & legal uncertainties is inevitable.

UNIT –II
NATURAL ENVRIONMNET

Meaning of Natural Environment(2 marks 2017, 2018, 2019)

A natural environment is an environment that encompasses all living & non-living things occurring naturally on earth or some region thereof.

Natural environment refers natural resources like minerals, forecasts, water & land etc which influence on the business activity. These resources are not made by human beings.

COMPONENTS OF NATURAL ENVIRONMENT

1. **Water on Earth:-**An ocean is a major body of saline water & a component of the hydrosphere approximately 71% of the earth's surface (an area of some 362 million square kilometres) is covered by ocean, a continuous body of water that is customarily divided into several principal oceans & smaller seas. More than half of this are is over 3,000 meters (9,800 ft) deep. Average oceanic salinity is around 35 parts per thousand (3.5%).
2. **Atmosphere, climate & weather:-**
   Atmosphere gases scatter blue light more than other wavelength creating a blur when seen from space. The atmosphere of the earth serves as a key factor in sustaining the planetary ecosystem. The thin layer of gases that envelops the earth is held in place by the planet's gravity/ dry air consists of 78% nitrogen, 21% oxygen, 1% argon & other inert gases, among which are the greenhouse gases such as often referred to as trace gases, among which are the greenhouse gases such as water vapour, carbon dioxide, methane, nitrous oxide & ozone.
3. **Effects of Global Warming:-**
   The potential dangers of global warming are being increasingly studied by a wide global consortium of scientists. These scientists are increasingly concerned about the potential long term effects of global warming on out natural environment & on the planet of particular concern is how climate change & global warming caused by anthropogenic or human-made releases of greenhouse gases, most notably carbon dioxide can act interactively & have adverse effects upon the planet.
4. **Ecosystems:- (2 marks 2017)**
   An ecosystem(also called as environment) is natural unit consisting of all plants, animals & micro-organism (biotic factors) in an area functioning together with all of the non-living physical (biotic) factors of the environment . the central to the ecosystem concept does the idea that living organism s are

continually engaged in a highly interrelated set of relationships with every other element constitute the environment in which they exist.

IMPACT OF NATURAL ENVIRONMENT ON BUSINESS DECISION (15 marks 2017, 2019, 5 marks 2018)

1. **Environmental Regulations:-**
   Regulating business activities is one way government agencies protect the environment. Businesses must meet certain standards that help to reduce any adverse effects is a company's activities have on the environment as a result, natural environmental factors, such as clean water & clean air, dictate how companies conduct their day-to-day operations.
2. **Permit Requirements:-**
   Companies involved in activities that impact their surrounding environment typically have to file for operating permits through a local, state or federal government agency. Businesses permit requirements enable government agencies to regulate & keep track of business activities. These permits serve different purposes some of which include setting minimal standards for any air emissions, dictating certain procedures for handling waste & hazardous materials.
3. **Compliance Requirements:-**
   Natural environmental factors affect a business operations as well as its ability to expand or take on new operations. In effect, companies must comply with environmental regulations in all stages of business development. Companies considering purchasing a building should ensure the building conforms to environmental regulations or risk paying penalties for non compliance. Building expansions must also meet regulatory requirements.

4. **Environmental Contaminants:-**
   Businesses that work with hazardous materials on a regular basis have certain responsibilities when it comes to ensuring contaminants don't reach or affect the natural environment. The comprehensive environmental response, compensation liability act holds business owners liable for activities that contaminate surrounding air, soil or water supplies. This law even applies for new business owners who unknowingly purchase a contaminated site or purchase an operation that fails to meet compliance standards.

5. **Impact of Global Warming:-**
The potential dangerous of global warming are being increasingly studied by a wide global consortium of scientists. These scientists are increasingly concerned about the potential long-term effects of global warming on out natural environment & on the planet of particular concern are how climate change & global warming caused by anthropogenic or human made realize of greenhouse gases most notably carbon dioxide, can act interactively & have adverse effect upon the planet.

Note:-

- **Discuss the concept of Natural Environment(5 marks) write meaning & components of natural environment**

UNIT – III
ECONOMIC ENVRIONMENT

Meaning of Economic Environment(2 marks 2018, 2019)

Economic Environment refers to all Economic factors which are directly or indirectly influence on business activity like GNP, BOP, Per Capita Income, Inflation, Deflation & interest rates etc.

Economic Environment consists of economic factors that influence the business activity. These factors include GNP, Corporate Profits, Inflation rate, employment, balance of payments interest rates consumer income etc.

CHARACTERISTICS/ FEATURES OF INDIAN ECONOMY(5 marks 2019)

1. **Heavy Population Pressure:-**
   The Indian economy is facing of population explosion. It is clearly evident from the total population of India which was 1355.80 million in 2019-2020 . it is the second largest populated country after china. India's total fertility rate (TFR) is 17.74% which is equivalent to total world population. The higher birth rate leads to higher population, the high population explosion leads to low standard of living.
2. **Low Per Capita Income:-**
   Per capita income is the average income earned per person in a given are. In case of India, per capital income is very low as compared to the advanced countries. 2,199 dollars in 2019 compared to developed countries.
3. **Pre-dominance of Agriculture:-**
   Occupational distribution of population in India clearly reflects the backwardness of the economy. One of the basic characteristics of an under developed economy is that agriculture contributes a very large portion in the national income & a very high proportion of working population nearly 53% is engaged in agriculture.
4. **Unemployment:-**
   There is larger unemployed & under employment is another important feature of Indian economy. In under developed countries labour is an abundant factor. It is not possible to provide gainful employment to the entire population. Lack of job opportunities creates deficiency of capital formation.
5. **Low Rate of Capital Formation:-**
   Capital formation mainly depends on the ability & willingness of the people save since the per-capita income is low & there is mal-distribution of income & wealth the ability of the people to save is very low for which capital

formation is very low. Gross domestic capital formation in 2016-17 was 7.1% but in 2017-18 it is 6.5% gradually it decreasing.

6. **Poor Technology**
   Indian economy also suffers from this typical feature of technological backwardness. The techniques applied in agriculture industries milling & other economic fields are primitive in nature. Moreover it is very clear that Indian production technique is more labour oriented in nature.
7. **Backward Institutional & social framework:-**
   The social & institutional frame work is under developed countries like India is hopelessly backward, which is a strong obstacle to any change in the form of production. Moreover religious institutions such as caste system, joint family universal marriage affects the economic life of the people.
8. **Backwardness of Infrastructural Development:-**
   25% of Indian families don't have reach of electricity & 97 million people don't have reach of safe drinking water & 840 million people in India don't have sanitation services. India need 100 million dollar for infrastructural development upto 2025.
9. **Quality of Human Capital:-**
   The poor quality f Human capital can be judged by the high ate of illiteracy prevalent in the country. The constitutional provision of free compulsory education until the age of 14 years was directly aimed at eradicating illiteracy & the quality of human capital is also indicated by the availability of medical facilities so government has provided all such facilities but even though this object has not been achieved yet.
10. **Price Instability:-**
    In almost all the underdeveloped countries like India there is continuous price instability. Shortage of essential commodities & gap between consumption aid productions increase the price persistently. Rising trend of price creates a problem to maintain standard of living of the common people.

FACTORS AFFECTING ECONOMY(factors affecting economic development of a country) (15 marks 2018, 2019)

1. **Growth Strategy:-**
   Growth strategy is a strategy based on investing in companies & sectors which are growing faster than their peers. The benefits are usually in the form of capital gains rather than dividends.
2. **Economic system:-**
   An economic system is the combination of the various agencies, entities that provide the economic structure that defines the social community. The

economic system involves production, allocation of economic inputs, & distribution of economic outputs, landlords & land availability, households, capitalists, banks & government. It is a set of institutions & their various social relations.

3. **Economic Planning:-**
   It refers to any directing or planning of economic activity outside the mechanism of the market, in an attempt to achieve specific economic or social outcomes. Planning is an economic mechanism for resource allocation & decision making in contrast with the market mechanism. Most economies are mixed economies, incorporating elements of market mechanism & planning for distributing inputs & outputs.
4. **Industry:-**
   As per Industrial Disputes Act, 1947 Industry means any systematic activity carried on by co-operation between an employer & his workmen (whether such workmen are employed by such employer directly or by or through any agency, including a contractor) for the production, supply or distribution of goods or services with a view to satisfy human wants or wishes.
5. **Agriculture:-**
   Agriculture is the cultivation of animals, plants, fungi & other life forms for food, fibre & other products used to sustain life. Agriculture was the key development in the rise of sedentary human civilization, whereby farming of domesticated species created food surpluses that nurtured the development of civilization. The study of agriculture is known as agricultural science. Agriculture generally speaking refers to human activities, although it is also observed in certain species of ant & termite.
6. **Infrastructure:-**
   Infrastructure is basic physical & organisational structure needed for the operation of a society or enterprise or the services and facilities necessary for an economy to function it can be generally decide as set of interconnected
   Structural elements that provide framework supporting an entire structure of development it is an important term for judging a country or regions development.
7. **Financial and fiscal factor**
   Financial factors consider the income statement in a simple and straight forward report on the proposed business's generating ability. It is a score card on the financial performance of business that reflects when sales is made & when expenses are incurred. It draws information from the various financial models developed earlier such as revenue, expenses, capital & cost of goods, fiscal policy is the use of government expenditure & revenue collection

(taxation) to influence the economy. Fiscal policy can be contrasted with the other main type of macroeconomic policy, monetary policy, which attempts to stabilize the economy by controlling interest rates & spending.

8. **Removal of Regional Imbalance:-**
   Government had appointed a fact finding committee (FFC) in August , 1983 under the chairmanship of Dr. Dandekar for studying the problem of imbalance between different regions of the state to identify regional backlog & including long term measures to avoid such regional imbalance in the future.

9. **Price & distribution Control:-**
   During the ongoing post-communist economic transitions, the reltive well-being of many people is changing rapidly & governments are not well positioned to accurately measure individual living standards. Under such circumstances, continued price controls over basic consumer goods within the state sector, & the associated queuing, can form a serviceable device for targeting poor people for subsidies.
10. **Economic Reforms:-**
   India was a latecomer to economic reforms, embarking on the process in earnest only in 1991, in the wake of an exceptionally sever imbalance payments crisis. The need for a polcy shift had become evident much earlier, as many countries in East Asia achieved high growth & poverty reduction through policies which emphasized greater export orientation & encouragement of the private sector.
11. **Per Capita & National Income :-**
   Per capita income or income per person is measure of mean income within an economic aggregate, such as country or city. It is calculated by taking a measure of all source of income in the aggregate (such as GDP or Gross National Income) & dividing it by the total population. It does not attempt to reflect the distribution of income or wealth.

IMPACT OF ECONOMIC ENVIRONMNET ON BUSINESS

1. **Demand and Offer:-**
   The need & offer are two primary elements that affect the working associated with a business design. The need is the will as well as capability of buyers to buy a specific item & offer may be the ability of the need of customers. It should be mentioned that all the standards which are included in this list are inter-connected.

2. **Marginal & Complete Power:-**
   Utility may be the quantity of fulfilment, that's produced by consumers from consumption of goods. This happens that whenever continuous & successive use of units of the same goods, the fulfilment that's experienced by consumer begins decreasing. This often results into short term or even long-term fall of sales, some organisations get ready for the actual launch of some other brand name before the fall in sales is experienced.
3. **Cash as well as Finance:-**
   Financial conditions & financial policies impact the company business activities. Money dictates the purchased power borrowing capital of people which causes increase or decrease in the demand of a product.
4. **Financial Development & growth :-**
   Financial development dictates the quantity of finance that the society is actually earning & improvement signifies the amount of money that's being spent in to channels associated with long term up-gradation. Amongst all the financial elements affecting business environment, improvement is an essential one, since the company needs to focus on the actual need for good economically dynamic society.
5. **Income & Employment:-**
   An additional very important facet of the economic climate that significant from the business may be the degree of work as well as rate of earnings. The actual per capita income as well as density of work determines the speed of need, denseness with need & also the purchasing power of those.
6. **Common price Level:-** An additional very important face of the actual economy, which impacts the business, is the general price levels from the goods which additionally modify the product sales from the business. Expenses of recyclable, having to pay of individuals, price of production & finally cost of transportation is a few of the important components that determine the general cost level & also the actual product sales from the firm.

ECONOMIC RESOURCES/ FACTORS OF PRODUCTION

1. **LAND**
   Land is the economic resource encompassing natural resources found within a nation. This resource includes timber, land, fisheries, farms & other similar natural resources. Land is usually a limited resource for many economies. Although some natural resources, such as timber, food & animals are renewable the physical land usually a fixed resource. National must carefully use their land resource by creating a mix of natural & industrial uses.

2. **Labour:-**
   Labour represents the human capital available to transform raw or national resources into consumer goods. Human capital includes all able bodied individuals capable of working in the nation's economy & providing various services to other individuals or businesses. This factor of production is a flexible resource as workers can be allocated to different areas of the economy for producing consumer goods or services.

3. **Capital** :-
   Capital has two economic definitions as a factor of production. Capital can represent the monetary resources companies use to purchase natural resources, land & other capital goods. Monetary resources flows through a nation's economy as individual & companies use when producing goods or services. These assets include buildings, production facilities, equipment, vehicles & other similar items.

4. **Entrepreneurship/Organisation:-**
   Entrepreneurship is considered a factor of production because economic resources can exist in an economy & not be transformed into consumer goods. Entrepreneurs usually have an idea for creating a valuable goods & service & assume the risk involved with transforming economic resources into consumer products. Entrepreneurship also considered a factor of production since someone must complete the managerial functions of gathering, allocating & distributing economic resources.

LIBERALIZATION

Liberalization is a process of removing/liberalizing the government restriction on business activity in country.

Liberalization refers to the relaxation of the previous government restrictions usually in area of social & economic policies. When government liberalized trade, it means it has removed the tariff subsidies & other restriction on the flow of goods & services between the countries.

ADVANTAGES OF LIBERALIZATION

1. Increase in foreign direct investment.
2. Increase the foreign exchange reserve.
3. Increase in the rate of industrial development

4. Effective utilisation of resource.
5. Improve our performance
6. Ensure healthy competition among industries.
7. Increased the employment level
8. Increase in the consumption level
9. Helps to develop of backward areas.
10. Increase in import & export business.

DISADVANTAGES OF LIBERALIZATION

1. Heavy competition from foreign companies.
2. No control over business activity.
3. Increase in unemployment.
4. Loss to domestic business units.
5. Increase dependents on foreign nations.
6. Unbalanced development.

IMPACT OF LIBERALIZATION ON BUSINESS

1. **Impact on small Scale in India:-**
   Impact of small scale is evaluated from the beginning of colonization in 18th century can be considered as 1st movement of globalization. In pre colonization period India's textiles & handicraft was popular across the globe & was mainstay of Indian economy. With the initiation of industrial revolution along with foreign rule in India, Indian economy underwent major setback & much of the home grown small scale cottage industry was ruined.
2. **Impact on Agriculture:-**
   In the area of agriculture cropping patterns has undergone a huge modification impact of liberalization cannot be properly measured. It is observed that there are still all pervasive government controls & interventions starting from production to distribution. Global agricultural is highly biased. It is due imbalance in economic & political power in hands of farmers of developed & developing countries. In developed countries, commercial & capitalistic agriculture is in place which is owned by influential Agri-corporations.
3. **Impact of Services:-**
   In Service sector, globalization has changed the scene of developing countries & misery for developed ones. Due to historic economic inequality between two groups, human resources have been much cheaper in developing economies. This was further aided by information technology revolution & this call

culminated in migration of numerous jobs from developed countries to developing countries.

4. **Information Technology Industry:-**
   Currently, software, BPO, KPO, LPO industry are prospering in India & it has helped India to absorb a big mass of demographic divided, which otherwise could have wasted. Best part is that export of service result in export of high value. These are almost no material exported which consume some natural resource. Only thing exported in labour of professionals, which does not reduce, instead grows with time. Now India is better positioned to become actually knowledge economy. Exports of these services generate huge revenue for India's foreign exchange. 5
5. **Banking:-**
   In banking sector, liberal policies have great impact in Indian economy. Since improvements, there have bee three rounds of license grants for private banks. Private banks such as ICICI, HDFC, Yes Bank & also foreign in the standards of Indian Banking Industry. Now there is tough competition in the banking industry, & public or banks are more responsive to customers. It is understood the information technology is brining banking revolution. New government schemes like Pradhan Mantri Jan dhan Yojana aims to achieve their targets by using Adhaar Card.
6. **Telecom Sector:-**
   Telecom sector was a government owned domination & therefore service was not very efficient. But after reforming policies, private telecom sector reached zenith of Indian telecom companies are progressing at global scale. However, corruption & rent seeking disfigured growth & outlook of this sector. Entry modern direct to home services saw enhancements in quality of television services on one hand & loss of livelihood for numerous local cable operators. Education & health sector. It is a fact that food(agriculture), health & educational (and to lesser extent banking) are among basic requirements, which every human being deserves & cannot do without.

PRIVATIZATION

(15 marks 2017 Need, Objective & advantages)

Meaning:- Privatization is a process of transferring ownership of the business from the public sector to the private sector.

- Privatization means converting public companies in to private companies. These companies are controlled & directed by the private ownership.

Need for Privatization

1. A sizable number of PSUs have been incurring & reporting losses on a continual basis. Consequently, a large number of PSUs have already been referred of loss giving units.
2. Multiplicity of authorities to whom the PSUs are accountable.
3. Delay in implementation of projects leading to cost escalation & other consequences.
4. Ineffective & widespread inefficiency on management.
5. With a view to provide opportunities for more & more unemployed youths, more number of people, than required, were recruited & therefore, many PSUs are over staffed resulting in lower labour productivity, bad industrial relations etc.
6. A number of sick companies (40 companies) which were in the private sector were taken over by public on the resources of the state etc.

Objectives of Privatization

1. To improve the performance of the PSUs so as to lessen the financial burden on the tax payers.
2. To reduce government interference in the economy.
3. To promote greater private initiative.
4. To promote wider share ownership
5. To development of the capital market.
6. To promote competition & reward efficiency.
7. To reduce the administrative burden on the state.
8. To increase the size & dynamism of the private sector.
9. To promote increased efficiency.
10. To encourage & facilitating private sector investments form both domestic & foreign sources.
11. To reduce the threat of the losses.
12. To provide improved quality & services to the customers.

Advantages of Privatization

1. Increasing overall efficiency
2. Rapid Industrial growth
3. It help to reduce government burden
4. Increase the foreign investment
5. Improvement in the quality of management
6. No government financial interference
7. Reduction in budgetary deficit.
8. Recovery of government fund.
9. Reduction in political interferences.

Disadvantages of Privatization

1. Heavy competition
2. Loss from heavy competition
3. Increase in inequality
4. Opposition by employees
5. Problem of financing
6. Increase in unemployment
7. Ignores the weaker sections
8. Ignores the national importance
9. Industrial sickness.

IMPACT OF LPG ON INDIAN BUSINESS

Positive Impact of LPG on Indian Economy

1. **Increase in GDP growth rate**
   India's GDP growth is increased. During 1990-91 India's GDP growth rate was only 1.1% but after 1991 reforms, due LPG policy India's GDP growth rate is increased year nu year & in 2015 it was recorded 7.26 in 2015-16, it is estimated to be 7.5% by IMF, because of the abolition of Industrial licensing privatization advanced foreign technology & reduction of taxes India's GDP is increased after 1991 reforms.
2. **Increase in Foreign Direct Investment (FDI)**
   India has already marked its presence as one of the fastest growing economies of the world. It has been ranked among the top 3 attractive destinations for inbound investments. Since 1991, the regulatory environment in terms of foreign investment has been consistently eased to make it investor friendly.

India has also firmly established itself as a lucrative foreign investment destination; with foreign capital inflows of over US $ 31 billion in 2015 surpassing the US & China India has allowed 100% FDI in medical services, Telecom sector, and single brand retail etc.

3. **Increase in per Capita Income:-**
   Per capita income or average income measures the average income earned per person in a given area (city, region, country etc). It is calculated by dividing the area's total income by its total population.
   In 1991 India's per capita income was Rs. 11235 but in 2014-15 per capita income is reached to Rs. 85533. Per capita income is increased due to increase in employment due to new economy policy of globalization & privatization many job opportunities are created so & people income was increased.
4. **Unemployment rate is reduced:-**
   In 1991 unemployment rate was 4.3% but after India adopted new LPG policy employment is generated because of globalization many new foreign companies came in India & due to liberalization many new entrepreneurs have started new companies because of a abolition of industrial licensing 4.3% in 1991 to 3.6% in 2014.

Negative Impact of LPG ON Indian Economy

1. **Low Growth of Agricultural Sector:-** Agriculture has been & still remains the backbone of the Indian economy. It plays a vital role not only in providing food & nutrition to the people, but also in the supply of raw material to industries & to export trade. In 1991 agriculture provided employment to 72% of the population & contributed 29.02% of the domestic product. However, in 2014 the share of agriculture in the GDP went down drastically to 17.9 %. This has resulted in a lowering the per capita income of the farmers & increasing the rural indebtedness.
2. **Threat from foreign competition:-**Due to opening up of the Indian economy to foreign competition through liberalization & FDI policy more MNCs are attracted towards India after 1991 reforms & they are competing businesses & companies. Since, these MNCs have lot of financial capacity to those is big organisations with advanced foreign technology so, they have large production capacity & huge money for promotion & other research activities they are easily defeating our Indian local companies.
3. **Adverse Impact on Environment:-** Globalization has also contributed to the destruction f the environment through pollution & clearing of vegetation cover. With the construction of companies, the emissions from manufacturing plants are causing environmental pollution which further affects the health of many

peoples. The construction also destroys the vegetation cover which is important in the very survival of both humans & other animals.

4. **Increase In Income Disparity :-**Globalization leads to widening income gaps within the country. Globalization benefits only to those who have the skills & the technology in the country. The higher growth rate achieved by a economy can be at the expenses of declining incomes of people who may be rendered redundant globalization has widened the gap between the rich & poor rises inequalities.

UNIT IV
LEGAL ENVIRONMENT

Meaning:- the legal environment refers to the rules & regulations, policies & law etc framed by the government in order to protect society & consumers from unfair business activities.

The legal environment refers to the rules & regulations, policies under which the business operates, legal environment includes rules & regulations, policies, penalities for violations, designed to protect society & consumers from unfair business practices.

FISCAL POLICY

Fiscal policy refers to the policy relating to the government expenditure, incomes & borrowings. Fiscal policy controls its expenditure by using the tools like tax rate, public expenditure & public debt etc. in order to achieve all round development in the country.

Acc. to Reeem Heakal" Fiscal Policy is the means by which a government adjusts its spending levels & tax rates to monitor & influence a nation's economy."

Objectives of Fiscal Policy

1. **To achieve desirable price levels:-** the stability of general prices is necessary for economic stability. The maintenance of a desirable price level has good effects on production, employment & national income. Fiscal policy should be used to remove fluctuation in price level so that ideal level is maintained level is maintained.
2. **To achieve desirable consumption level:-** a desirable consumption important for political, social & economic consideration. Consumption can be affected by expenditure & tax policies of the government. Fiscal policy should be used to increase welfare of the economy through consumption level.
3. **To achieve desirable employment:-** the efficient employment level is most important in determining the living standard of the people. It is necessary for political stability & for maximization of production. Fiscal policy should achieve this level.
4. **To achieve desirable income distribution:-** The distribution of income determination the type of economic activities the amount of savings in this way, it is related to consumption & employment. Income distribution should be equal to the most possible degree. Fiscal policy equality in distribution of income.

5. **Increase in capital formation:-** in under developed countries deficiency of capital is the main reason for under-development. Large amount are required for industry & economic development. Fiscal policy can divert resources & increase capital.
6. **Degree of Inflation:-** in under developed countries a degree of inflation is required for economic development. After a limit inflationary be used to get rid of this situation.

<u>Impacts of Fiscal Policy on Business/Role of Fiscal policy</u>

1. It develops various industries, sectors & regions
2. It controls money supply in the economy
3. It reduces Govt. expenditure & increase Govt. revenue
4. Governments can encourage or discourage certain activities.
5. Tax incentivises help to increase demand for goods.
6. Increase in indirect taxation.

MONETARY POLICY

Monetary Policy is the policy framed by the Reserve Bank of India to control inflation & deflation in the in the economy by using qualitative & quantitative measures like CRR, SLR, Repo Rate, Reverse Repo Rate & bank rate etc.

Acc. to Federal Reserve Board " Monetary policy is the process by which the monetary authority of a country controls the supply of money, often targeting a rate of interest for the purpose of promoting economic growth & stability".

Objectives of Monetary Policy

1. **To ensure the rapid economic growth:-** it is the most important objective of the monetary policy. The monetary policy can influence economic growth by controlling real interest rate & its resultant impact on the investment. If the RBI opts for cheap or easy policy by reducing interest rates, the investment level in the economy can be encouraged. This increase investment can speed up economic growth. Faster economic growth is possible if the monetary policy succeeds in maintaining income & price stability.
2. **To help for price stability:-** all the economics suffer from inflation & deflation. It can be called as price instability, both inflations are harmful to the economy. Thus, the monetary policy having an objective of price stability tries to keep the value of money stable. It helps in reducing the income & wealth

inequalities when the economy suffers from recession the monetary policy should be an easy money policy but when there is inflationary situation there should be a dear money policy.

3. **To assists for exchange rate stability:-** exchange rate is the price of a home currency expressed in terms of any foreign currency. It this exchange rate is very volatile leading to frequent ups & downs in the exchange rate the international community might lose confidence in our economy. The monetary policy aims a main the relative stability in the exchange rate. The RBI by altering the foreign exchange reserves tries to influence the demand for foreign exchange & to maintain the exchange ate stability.
4. **To assists for balance of payments (BOP) equilibrium:-** many developing countries like India suffer from the disequilibrium in the BOP. The reserve Bank of India through its monetary policy tries to maintain equilibrium in the balance of payments. The BOP has two aspects i.e. BOP surplus & the BOP Deficit. The former reflects an excess money supply in the domestic economy, while the later stands for stringency of money, if the monetary policy succeeds in the maintaining monetary equilibrium the BOP equilibrium can be achieved.
5. **To ensure the full employment:-** the concept of full employment was much discussed after keynes's publication of the General Theory in 1936. It refers to absence of involuntary unemployment. In simple word full employment stands for a situation in which everybody who wants jobs get jobs. However it doesnot mean that there is zero unemployment. In that senses is the full employment never full monetary policy can be used for achieving full employment. It the monetary policy is expansionary then credit supply can be encouraged. It could help in creating more jobs in different sector of the economy.

IMPACTS OF MONETARY POLICY ON BUSINESS

1. **Control inflation:-** one of the primary impacts of monetary policy is on inflation. The goal of monetary policy is to control inflation or the value of currency, through changes in monetary policy tools. When inflation rises, the central bank typically raises interest rates. High inflation makes the costs of goods higher. Central banks want to keep inflation low to keep the prices of goods stable relative to the value of the currency.
2. **Interest Rates:-** monetary policy directly impacts interest rates. The central bank raises the prime rate or interest rate the central bank loans money to other banks, as a tool to impact the economy. Theses actions have a trickledown effect on the interest rates charged on loans, credit cards & any other financial vehicle that is tied to the prime rate.

3. **Business Cycles:-** business is cyclic in nature & goes through period of expansion & contraction. Monetary policy attempts to minimise the speed & severity f these expansion & contractions to maintain steady growth or decrease a negative contraction. The goal is to keep an economy on a slow, but steady growth pattern to prevent recessions during periods of contraction.
4. **Spending:-** monetary policy impacts the amount of money spent in the an economy. When a central bank decreases interest rates, more money is typically spent in an economy. This increase in spending can equate to better overall health for an economy. Likewise, when interest rates are increased, spending declines this could curtail inflation.
5. **Employment :-** employment levels relate to the health of an economy. When inflation is low & an economy is stable or in an expansionary phases, employment levels are higher than when inflation is high & an economy is in a contraction phases. Changes in monetary policy that maintain economic stability & minimize inflation tend to keep unemployment low.

EXIM POLICY

Meaning:- Export & Import Policy is a policy taken by the Indian government to control the imports & exports of the country in order to maintain favourable balance of payment.

EXIM Policy deals in general provision pertaining to exports & imports, promotional measures, duty exemption schemes, export promotion schemes, special economic zone programs & other detail for different sectors.

OBJECTIVES OF EXIM POLICY

1. To increase exports & decrease imports
2. To help for sustained economic growth
3. To improve the balance of payment.
4. To improve the balance of trade.
5. To enhance the reverse of foreign exchange.
6. To allow import of new technology & machineries.
7. To remove restriction on exports & imports.
8. To establish export oriented units & export processing zones.
9. To generate new employment opportunities.
10. To provide good quality products at reasonable prices.

IMPACTS OF EXIM POLICY

1. **Globalization of Indian Economy:-**

The exim policy 1997-02 proposed with an aim to prepare a framework for globalizations of Indian economy. This is evident from the very first objective of the policy, which states. To accelerate the economy from low level of economic activities to high level of economic activities by making it a globally oriented vibrant economy & to derive maximum benefits from expanding global market opportunities.

2. **Impact of the Indian Industry:-**
   In the exim policy 1997-02 a series a reform measures have been introduced n order to give boost to India's industrial growth & generate employment opportunities in non-agricultural sector. Theses include the reduction of duty from 15 – 10% under EPCG scheme that enables Indian firms to import capital goods & is an important step in improving the quality & productivity of the Indian industry.
3. **Impact on Agriculture:-** many encouraging steps have been taken in the EXIM Policy 1997-02 in order to give aa boost to Indian agricultural sector. These steps includes provision of additional SIL of 1% for export of agro products allowing EOU's & other units EPZs in agriculture sectors to 50% of their output in the domestic tariff area (DTA) on payment of duty.
4. **Impact on foreign investment:-** in order to encourage foreign investment in India, the EXIM policy 1997-02 has permitted 100% foreign equality participation in the case of 100% EOU's & units set up in EPZs
5. **Impact of Quality up Gradation:-** the SIL entitlement of exporters holding ISO 9000 certification has been increased from 2% to 5% of the FOB value of exports, which has encouraged Indian industries to undertakes research & development programmers & upgrade the quality of their products.

NEW INDUSTRIAL POLICY (NIP 1991)

Meaning:- Industrial policy is a policy which is framed by the government for regulating, developing & controlling industrial undertaking in the country.

Industrial policy means rules, regulation, principles, policies & procedures laid down by government for regulating developing & controlling industrial undertaking in the country. It prescribes the respective roles of the public, private joint & co-operative sectors for the development of industries.

OBJECTIVES OF NIP

1. Rapid industrialization of the country.
2. Increase employment opportunities in private sectors.
3. Improve balance of payments promoting export.

4. Ensure profitability in the public sector.
5. Encourage entrepreneur
6. To increase FDI
7. To increase export.
8. To encourage R & D to bring new technology
9. To link Indian economy with global economy.
10. Encourages big business houses.
11. Increases completion of the industry.

IMPACT OF NEW INDUSTIRAL POLICY 1991

1. **Raising income:-** the industrial development provides a secure basis for a rapid growth of growth. The empirical evidence suggests a close correspondence between the high level of income & industrial development. In the industrially developed countries, for examples, the GNP per capita income is very high at around $28,000. Whereas for the industrially backward countries it is very low at around $ 400 only.
2. **Changing structure of the economy:-** in order to develop the economy underdeveloped countries need structural change though industrialization. History shows that in the process of becoming developed economy the share of the industrial sector should rise & that of the agricultural sector decline. This is only possible though deliberate industrialization.
3. **Meeting High-**Income Demands:**-** beyond certain limits, the demands of the people are usually for industrial products alone. After having met the needs of food, income of the people are spent mostly on manufactured goods. This means the income elasticity of demand for the manufactured goods is high & that of agricultural products is low.
4. **Overcoming deterioration in the terms of trade:-** underdeveloped countries like India need industrialization to free themselves from the adverse effects of fluctuation in the prices of primary products & deterioration in their terms of trade. Such countries mainly export primary products & import manufactured goods. The prices of primary products have been falling or are stable whereas the prices of manufactured products have been rising.
5. **Employment Generation:-** underdeveloped countries like India are characterised by surplus labour & rapidly growing population. To absorb all the surplus labour it is essential to industrialize the country rapidly. It is the establishment of industries alone that can generate employment opportunities on an accelerated rate.
6. **Brining technological progress:-** R & D is associated with the process of industrialization. The development of industries producing capital goods i.e.

machines et enables a country to produce a variety of goods in large quantities & t low costs make for technological progress & change in the outlook of the people.

7. **Reduction in project cost & time:-** the policy changes related to licensing foreign investment & foreign agreements have freed industries from excessive government control. Thus time & money spend to acquire licence & approvals have been reduced in low project cost as well as less time required to complete the project. In other words the gestation period. In other words the gestation period has been shortened & efficiency has increased.
8. **Availability of foreign capital & technology:-** policies in the area of foreign investment & foreign technology agreements would bring in more capital technology & managerial & technical performed from aboard. This would increase the availability of such resources. The inflow of foreign direct investment in 1991-92 was $ 129 million which increased to $ 43.29 billion in 2006 US telecommunications, electrical equipments & services are the sectors that the attracting foreign investment.
9. **Restrictive Trade Practices:-** amendments in the MRTP act would curb anti competitive behaviour & this promote competition. Indian firms are now able to expand & grow with greater ease after the amendment.
10. **Internationalizations of Indian Industries:-** as Indian industries have become intentionally competitive, they are increasing their export orientation as well making their global presence felt trough mergers & acquisitions.
11. **Benefits to consumers:-** the NIP & subsequently policy changes have made the Indian market more competitive. This has benefited Indian consumers, who can now choose form a wide variety of good quality products at competitive prices. Companies are now able to change their product mixes to match changing consumer demand. Easier capacity expansion has reduced shortages of essential industrial items to large extent.
12. **Strengthening the economy:-** industrialisation of the country can provide the necessary elements for strengthening the economy, in this regard the following points may be noted. Industrialization makes possible the production of goods like railways, dams etc, which cannot be imported industrializations can change the comparative advantage of the country to suit its resources & potentialities of manpower.

UNIT –V

TECHNOLOGICAL ENVRIONMENT

Technology

- Technology is a systematic application of scientific knowledge to practical tasks is called technology.
- Technology is a systematic application of scitific knowledge to convert raw materials into finished goods.
- Technology refers to all the skills, procedures & knowledge for making, using & doing useful things.
- Acc. to J K Galbraith defined Technology as " A systematic application of scientific or other organised knowledge to practical tasks".

FEATURES OF TECHNOLOGY

1. Particular set of elements or production.
2. Dynamic phenomenon
3. Continuously improved
4. Technology is constantly replenishing national resources.
5. Generates wealth like economic, social & political
6. Prime factor for domestic productivity & international competitiveness
7. Drivers of new alliance among academic, business & government.

IMPACT OF TECHNOLOGY ON BUSINESS

1. **Customer Relations:-** technology affects the ay companies communicate & establish relations with their clients. In a fast moving & business environment, it is vital for them to interact with clients regularly & quickly to gain their trust & to obtain customer loyalty. With the use of internet & online social networks firms interact with customers & answer all their queries about the product.
2. **Business Operations:-** with the use of technological innovations, business owners & entrepreneur understand their cash flow better, how to manage their storage costs well an enables you to save time & money.
3. **Corporate culture:-** technology lets employees communicate & interact with other employees in other countries. It establishes clique & prevents social tensions from arising.
4. **Security:-** modern security equipment enables companies to protect their financial data, confidential business information & decisions.

5. **Research Opportunities:-** it provides a venue to conduct studies to keep themselves ahead of competitors. It allows companies to virtually travel into unknown markets.
6. **Corporate Reports:-** with technology business enterprises communicate effectively with their branch offices to deliver quality financial & operational reports.
7. **Industrial Productivity:-** through the use of business software programs or software packages, it automated traditional manufacturing process reduces labor costs & enhances manufacturing productivity. It enables companies to increase efficiency & production output.
8. **Business Mobility:-** technological innovation improved companies sales, services, shorted lead time on receiving & delivering goods & services. Enables them to penetrate multiple markets at least costs research capacity. It enables them to conduct studies on various companies to gain knowledge on the new trends in the market & way on avoiding them.
9. **Reducing business costs:-** small business owners can use technology to reduce business costs. Business technology helps automate back office functions, such as record keeping, accounting & payroll. Business owners can also use technology to create secure environments for maintain sensitive business or consumer information.
10. **Improving communication:-** business technology can help small business improve their communication processes, Email, Texting, Websites & personal digital products applications known as "apps" can help companies improve communication with consumers. Using several types of information technology improve communication with customers. using several types of information technology communication methods allows companies to saturate the economic will their message.

MANAGEMENT OF TECHNOLOGY

Management of technology is set of management disciplines that allow organizations to manage their technology fundamental to create competitive.

In the context of a business, technology ahs a wide range of potential effects management:-

1. **Reduced cost of operations:-** for example, Dell computer corporation used technology to lower manufacturing & administrative cost, enabling the company to sell computers cheaper than most other vendors.

2. **New product & new market creation:-** for example Sony corporation pioneered the technology of miniaturization to create a whole new class of portable consumer electronics (such as radios, cassette tape recorders, & CD players).
3. **Adaptation to changes in scale & format:-** in the early part ot 21 century, companies 9addressed how small devices such as cell phones, personal digital assistants (PDAs) & MP3 players could practically become, as well as how each product could support various features & functions. For examples, cell phones began to support email, web browsing, text messaging & even picture taking as well phone calls.
4. **Improved customer service:-** the sophisticated package tracking system developed by federal express enable that company to locate a shipment while in transit & report its status to the customer with the development of the world wide web customers can find the location of their shipments without even taking to a federal express employees.
5. **Long term sustain in the market:-** the role of the technology management function in an organisation is to understand the value of certain technology for the organisation, continuous development of technology is valuable as long as there is value for the customer & therefore the technology management function in an organization should be able to argue when to invest on technology development & when to withdraw.

UNIT VI
GLOBAL ENVRIONMENT

- Globalization is the process of integration of the world into one huge market.
- Globalization refers to investment funds & establishment o businesses across the world.
- Globalization is process of interaction & integration among the people, companies & government of different nations. Globalization impacts on the environment, culture, political systems & economic development.
- Acc. to R J Holton " Globalization represents the triumph of a capitalist world economy tied together by global division of labour"
- Acc to Anthny MC Grew " Globalization is process which gnerates flows & connections not simply across nation states & national territorial boundaries but between global regions, continents & civilizations.

NATURE OF GLOBALIZATION

1. **Liberalization:_** it stands for the freedom of the entrepreneurs to establish any industry or trade or business venture within their own countries or aboard.
2. **Free trade :-** it stands for free glow of trade relations among all the nations. Each state grant MFN(most favoured Nation) status to other states & keeps its business & trade away from excessive & hard regulatory & protective regimes.
3. **Globalization of economic activity:-** economic activities are governed both by the domestic market & also the world market. It stand for the process of integrating the domestic economy with world economy.
4. **Liberalization of Import-export system:-** it stands for liberating the import export activity & securing a free flow of goods & services across borders.
5. **Privatization:-** keeping the state away from ownership of means of production & distribution & letting the free flow of industrial, trade & economic activity across borders.
6. **Increased collaborations:-** encouraging the process of collaboration among the entrepreneurs with a view to secure rapid modernization, development & technology advancement.

INTERNATIONAL BUSINESS

Meaning:- International business refer to doing business between two or more countries or across the world. It includes manufacturing of goods, import & export of goods, transfer of technology, managerial knowledge & capital between two or more countries.

Definition:-

Acc. to Daniels " International Business comprises all commercial transactions private & governmental, sales, investments, logistics & transportation that take place between two or more regions, countries & nations beyond their political boundaries.

CHALLENGES OF INTERNATIONAL BUSINESS

1. **Compliance & regulations:-** whether you are a small business hipping homemade, handbags through a website or a consulting firm offering your services to multinational corporations, you must understand & flow various rules & regulations that govern your goods & services. Yu must comply with the tax of different countries as well as statutory export regulations. Some countries have strict policies about the types of business practices allowed in their countries that often include human resource & pension restriction & rules if you hire foreign work force.
2. **Culture & language:- one of the** advantage of a global economy is that more small businesses can compete competitively. However few small businesses are prepared to handle the customer service calls from china, Vietnam & other emerging markets key to the success of global competition. If your sales are increasingly going overseas you have to find ways to navigate the language barriers that may crop up in emails 7 phone calls. At the same time, cultural differences can play a big role in your success in the global market.
3. **Environmental Impact:-** recycling is rapidly becoming a common practice in most US companies as business leaders realize the impact their behaviour has on global environment issues. You may be challenged to incorporate successful recycling programs because they may be cost-prohibitive or just inconvenient. Energy saving devices such as compact fluorescent light bulbs a dent in world energy consumption, but they may make be viable for your office.
4. **Technology & communication:-** one of the biggest challenges facing globally competitive marketplaces is the communication issues that crop up when technology doesn't keep up in every sector. When your company relies on disparate systems that can't communicate with your book keeping gets bogged down & others slow or access vital information may be compromised when technological systems are not standardized you have got to rely on translations & reports from foreign staff members instead of using a centralised system when the technology relies on to run your business.
5. **Cost:-** this is one of the key factors that will drive you & your company towards international business. You must calculate all possible costs that my be incur. How do you get the products delivered in the most economical way ?. thi

is the question that you must find the most accurate answer for. At the end of the day if the total cost will be more than your expectation you may reconsider taking the risks of opening our door to international business.

6. **Payment Methods & Currency Rate:-** these are other obstacles that the small business owner must address before accepting or placing international orders. Countries may have different payment methods that are locally popular, but may not be commonly used internationally. In order to secure your business always selects the safest option for you. The currency exchange rate is also of importance. You must be aware of the currency exchange rates at the time of buying or selling your products. Drastically changes on the change rates may hit your business.
7. **Choosing the right shipping method:-** how to ship the cargo in a timely safe & cost effective fashion ? which option would be best fro you & your goods. Air, LCL or FCL ? these questions may seem complicated if your are new to the shipping industry. When getting started you may wan to reduce the risk & work with 3PL's as they have the logistics experience, knowledge & software a small company does not have, & they cost less than hiring employees with such expertise**.**

STRATEGIES FOR GOING GLOBAL

1. **Severe competition in home markets:-** competition may become may a driving force behind globalization. A protected market does not normally motivate companies to seek business outside the home market. until the liberalization which stated in July 1991, the Indian economy was a highly protected market, not only that the domestic producers were protected from foreign competition but also domestic competition was restricted by several policy induced entry barriers, operated by such measures as industrial licensing & the MRTP regulations.
2. **Limited home markets:-** the companies go global because of Limited home market . Example Domestic company Japan is achieving more profit & sales in other Automobile(SUZUKI) countries, when compare to their home country.
3. **Political Stability V/S Political instability:-** the government policies & regulations may also motivate globalization many countries government gie a number of incentives & other positive support to global companies to invest country. Similarly few countries political environmental is not stable in those countries doing business is very difficult.
4. **Availability of technology & managerial competency:-** globalization helps in transfer of Technology, Human resource & capital from surplus to the needed place by this way they achieve the business objectives. Example Suzuki

has join venture with Maruthi car company India because of the technology & managerial competence.

5. **High cost of transformation :-** the American based oil companies have stated their branched in oil extracting countries because of high cost of transformation like that many countries they started their business in foreign countries to reduce cost of transformation.
6. **Nearness to the raw material :-** the European companies & American based companies started their branches in foreign countries where raw material is available in order to reduce transportation cost & smooth flow of the operation.
7. **Availability of human resources:-** the companies like BPO, KPO & other IT companies enter in to the India because of availability of Human resources in that way many companies go global to make use of human & natural resources.
8. **Achieve high rate of profit:-** the domestic companies mainly go global because to achieve high rate of profit. Domestic market limited & more completion in those case firms prefers global to achieve profits. Example Suzuki company Japan is achieving more profit & sales in other countries when compare to their home country.
9. **Expanding of production capacity:-** in many countries market is very limited the multination companies like Toyota, Automobiles, Pepsi, Shell, Microsfot, Gene electrical , Mc Donald have huge production capacity but the domestic market is limited so they move to global & increase production, sales & high rate of profits.
10. **Liberalization:-** liberalization is the process of eliminating unnecessary controls & restriction on the smooth functioning of business enterprises. Abolishing industrial licensing requirements in most of the industries. Freedom in deciding the scale of business activities, fixing prices of goods & services, simplifying the procedure for imports & exports, reduction in tax rates simplified policies to attract foreign capital & technology to India. Indian economy has opened up & started interaction with the world in a big way.
11. **Increase market share:-** global business has certain spin-off benefits too. Global business may help the company to improve its domestic business. Global business thus, becomes as means of gaining better market share domestically. Further exports may have pay –offs for the internal market too by offering the domestic market better products.
12. **Avoid tariffs & import quotas:-** the global companies take into consideration of tariffs & quotas before entering into any foreign countries. Example china announced less tariff t global companies because of that international trade has increased.

13. **Monopoly :-** in some cases global business is corollary of the monopoly power which a firm enjoys internationally. Monopoly power may arise from such factors as monopolization of certain resources, patent rights technological advantage, product differentiation etc. such monopoly need not necessarily be an absolute one but even a dominant position may facilities globalization

WORLD TRADE ORGANIZATION (WTO)

World Trade Organization is established in January 1, 1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs & Trade (GATT), which commenced in 1948, its office is situated in Geneva, Switzerland & it is created by Uruguay Round negotiation (1986-94). It has 153 members till July 2008. India is one of the founder member of WTO.

Objectives of WTO

1. To reduce the restriction on trade & service barrier.
2. To improve standard of living of people belonging to member countries.
3. To promote full employment.
4. T expand production & trade
5. To optimize utilization of world resources.
6. To work towards sustainable development & healthy environment.
7. To secure better share of growth is developing countries.
8. To remover multilateral trade agreement .

FUNCTION OF WTO

1. **Resolve the trade disputes:-** the WTO administers the integrated dispute settlement system,, which is central element in providing security & predictability to the multilateral trading system, serving to preserve the rights & obligation of the members of WTO.
2. **Administered & implementing multilateral & plurilateral trade agreements:-** WTO facilitates the implementation, administration & operation of the WTO agreement & the multilateral trade agreements & further their objectives. It also provides the framework, for those of its members who have accepted them, for the implementation, administration & operation of the pluri-lateral trade agreements.
3. **Act as a watch dog of International trade:-** the WTO is monitors all international trade activities & providing dispute settlement services of the member countries.

4. **Act as a management consultant for world trade:-** the WTO is provides technical co-operation management training programme to its member countries regarding fiscal policy, monetary policy & other financial policies like technical co-operation, training to member countries etc.
5. **Acting as a forum for multi-lateral trade negotiations:-** the WTO provides the forum for negotiation on multilateral trade relations in matters covered by its various agreements. It may also on decision by the ministerial conference, provide a forum for further, negotiation & a framework for the implementation of their results, o other issues arising in the multilateral trade relations among its members.
6. **Co-operation with other institutions like IMF, IBRD, ILO:-** the WTO also provides co-operation with the international monetary Fund, World Bank & other International Institutions.
7. **Overseeing national trade policies:-** the WTO administers the trade policy review mechanism, which is designed to contribute to greater transparency & understanding of the trade policies & practices of WTO members, to their improved adherence to the rules, disciplines & commitments of the multi-lateral trading system & hence to the smoother functioning of the system.
8. **Maintains trade related data base:-** the WTO maintains trade data base related to its member countries in order to facilitate international trade.

REGIONAL TRADE BLOCS

the Regional Trade blocs refer to an agreement between states, regions or countries to reduce barriers to trade between the participating regions.

A trade block is s type of inter-government agreement or a part of a regional intergovernmental organisation, it reduces trade barriers among the participating states.

The different trade blocs are

- EC- European Community
- EFTA- European Free Trade
- NAFTA- North American Free Trade Agreement
- ASEAN OR AFTA- Association of South East Asian Nations
- SAPTA-South Asian Preferential Trade Agreement