



**DR. BABASAHEB AMBEDKAR
OPEN UNIVERSITY**

BBA

BACHELOR OF BUSINESS ADMINISTRATION



BBAR-301

Business Environment

BUSINESS ENVIRONMENT



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Editorial Panel

Author

Dr. Kuldeep. D. Ahuja

Assistant Professor,

R. C. College of Commerce, Delhi Chakla, Ahmedabad

Editor

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Faculty of Management, GLS University, Ahmedabad.

Language Editor

Dr. Vasant K. Joshi

Associate Professor,

G. B. Shah Commerce College, Ahmedabad.

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ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self- instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual- skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore,

the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self- instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



PREFACE

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding

We sincerely hope this book will help you in every way you expect. All the best for your studies from our team!

BUSINESS ENVIRONMENT

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**Dr. Babasaheb
Ambedkar
Open University**

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BUSINESS ENVIRONMENT

BLOCK-1 INTRODUCTION TO INDIAN BUSINESS ENVIRONMENT

UNIT 1

BASICS OF INDIAN BUSINESS ENVIRONMENT

UNIT 2

TYPES OF BUSINESS ENVIRONMENT

UNIT 3

PROBLEMS OF GROWTH

BLOCK 1 : INTRODUCTION TO INDIAN BUSINESS ENVIRONMENT

Block Introduction

India becomes liberalized along with exclamatory foreign exchange commands. Rupee continues adaptably adjustable on current accounts. For FDI- benefits accomplished, dividends as well as conducts away of the retail of expenditures are completely repatriable. It is analysed that when changes occurs in government polices then business will change as per changes and according to the recent policies. The output of modernisation made the things to become obsolete every now and then. The origin of new technology made the old technology to modify or not to be applied.

In this block you will be given an idea about business and its related factors. The knowledge related to Indian business scenarios and resulting needs and objects are highlighted. You will be given with an idea about certain business factors which governs the society or country such as economic factors, social factors, legal factors, demographic factors, technical factors. The detailed knowledge about types of business environment that affects the business will also be explained.

Unemployment serves as an important issue in business growth as it locks people in poverty by generating economic growth in future since people loses skills and become unemployable. It is seen that variation with uneven amount of wealth is owned by small marginal of population by affecting social stability.

In this block you will be given an idea about poverty and how poverty will affect the growth of economy. The knowledge related to regional imbalance in economic development and rapid industrialization on social injustices is highlighted. You will be given an idea about inflation on fixed income groups and parallel economy concepts are well shown. The detailed knowledge about environmental problems affecting growth of Business will also explain.

After completing this block, you will come across with the knowledge of how business works and what are the factors associated with it. The block will make you aware about certain type of business environment factors which can use as and when the concept for future needs pertains.

Block Objective

After learning this block, you will be able to understand:

- The Concept of business.
- About importance of business environment.
- Objectives of environmental analysis.
- About Environmental Regulations.
- The Need of Compliance Requirements.
- About Environmental Contaminants.
- About macroeconomic elements.
- Factors affecting political business environment.
- Understanding of technological factors.
- About Organizational Law.
- The Concept of Ethnocentrism.
- The reasons of Poverty for economic growth.
- Concept of Regional imbalance on economic development.
- Idea about rapid industrialization on Social injustices.
- Detailed about inflation.
- Knowledge related to parallel economy.
- Features about environmental problems affecting growth of business

Block Structure

Unit 1: Basics of Indian Business Environment

Unit 2: Types of Business Environment

Unit 3: Problems of Growth



BASICS OF INDIAN BUSINESS ENVIRONMENT

: UNIT STRUCTURE :

- 1.0 Learning Objectives**
- 1.1 Introduction**
- 1.2 Concept of Indian Business Environment**
- 1.3 Importance of Indian Business Environment**
- 1.4 Need of Environmental Studies for Business**
- 1.5 Let Us Sum Up**
- 1.6 Answers for Check Your Progress**
- 1.7 Glossary**
- 1.8 Assignment**
- 1.9 Activities**
- 1.10 Case Study**
- 1.11 Further Readings**

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- The business.
- The concept Indian business.
- Objectives of business environment.
- Understanding of environmental studies.

1.1 Introduction

India with its consistent succession and sufficient strongly expert manpower delivers exceptional prospects for investments. India is the most heavily populated democracy and lies 10th among the most significant economies across the globe. It is among the 4th widespread economy as compared to countries across the world in terms of buying power equality. In India, there seems to be a federal system of Government having varied discrimination of resources and power that occurs among Central Government and State Governments.

India carries open-minded, attractive and trade friendly investment opportunities that carry a of varied environmental prospective. India carries heavy and encouraged foreign investment that works with any level. India possesses foremost broad-minded as well as crystal-clear policies on foreign direct investment (FDI) among major economies around the world. 100% FDI endures admissible below the self-regulating convergence in complete sectors/activities apart from minimal regions, which constrains cardinal approval of the Government. Underneath self-regulating, investors are constraining to individual recommendation through Reserve Bank of India in 30 days of date of endowment of internal remittances.

India becomes liberalized along with exclamatory foreign exchange commands. Rupee continues adaptably adjustable on current accounts. For FDI- benefits accomplished, dividends as well as conducts away of the retail of expenditures are completely repatriable.

India combines an awesome socio-economic brand along with 55% of its occupant lives under the age of 25. It is found that excessive economic expansion as well as heightening per capita funds achieved higher growth in national as well as international market that is the basis of growth engine which in turn will result in great Indian marketplace.

Government of India atmospherically exaggerates on the establishment connectedly infrastructure in highways, ports, railways, airports, power, telecom, etc. Government is continuously observing for household as well as extra-terrestrial secret expenditure, for infrastructure divisional establishment.

1.2 Concept of Indian Business Environment

It is found that every business establishment works in its own identified environment. It is the atmosphere which influences the businesses that gets influenced by it. It is seen that without interaction, no business can work and reach to success. By business we mean that the interaction that exist in terms of economic expansion, growth and change. In broader aspects, business is concerned with activities that carries sale, purchase, manufacture, processing, and marketing of goods and services. It is studied that the idea of business is concerned with the related objectives of business in terms of profitability, productivity, growth, efficiency, stability, survival, strength, competition, struggle, customer needs and satisfaction, financial matters, goods quality etc. It is seen that the main view of business is to attract and develop customers who will be the final authority and decision maker of particular product or service. It is presumed that inputs in terms of human, physical, financial and several other resources are basically obtained from the environment that will normally get converted to certain resources by various processes in terms of outputs of products.

Broadly speaking business is accompanied to all-inclusive of all individuals or institutions that conveys consumers, competitors, suppliers, media along with additional drives comparable as economic, social, political, constitutional as well as technological which are inhabiting outward the ambit as well as administer of business endeavour furthermore that which conserve command its operation.

Check your progress 1

1. Which is not an objective of business?
 - a. profitability
 - b. sharing
 - c. productivity
 - d. growth
2. Who is the main authority in the market and ultimate authority to accept or decline the products.
 - a. Producer
 - b. Supplier
 - c. Consumer
 - d. management
3. By business we mean _____.
 - a. Economic reforms
 - b. Economic Expansion
 - c. Economic boom
 - d. Economic Adaptability

1.3 Importance of Indian Business Environment

An assertion of business environment supports to determine potency, feebleness, chances & warnings. Examination is very compulsory for the survival as well as development of the business endeavour. The consequence of business surroundings is to determine:

Strength: The assertion of the inner surroundings benefits to determine potency of the firm. For simulation, if the business grasps excellent exclusive directives in regard of furthering, hand over, training, etc. then it conserve exhibits vitality of the consortium in honour of exclusive policies. This stability can be determined through the job satisfaction and performance of the employees.

Weakness: The argument of the internal neighborhood exhibits not sole strengths moreover along with the feebleness of the enterprise. An enterprise may be authoritative in assured domains; whereas it may be impotent in numerous other regions. The enterprise should determine charge impotence on account of as to amend them as precipitous as conceivable.

Opportunities: An interpolation relevantly the outer vicinity benefits the enterprise firm to determine the fortuities in the market. The business establishment should develop every feasible operation to extort the fortunes as and when they approach.

Threats: Business may be predominating to warnings from combatants and others. Hence surrounding examination benefits to determine risks from the neighbourhood breakthrough of threats at a foregoing date is consistently favourable to the business as it benefits to compose the same.

Business Opportunities: In surroundings, there exists new opportunities that will lead to expansion and further growth of business. It is found that study of environment is required to find and locate for such opportunities fully.

Business Enterprise Alert: The use of environment study will keep business unit alert in vision and approach. Without change, the business activities become dull and carry no life. It is found the prospects of business are understood by way of such business study of particular environment. It makes an establishment to handle related problems with confidence and confidence.

Business Flexible and Dynamic: In order to keep flexibility in business the use of study of business environment is essential with changes that force the environment. It will allow development of business organization to establish.

Problems and Prospects: With the study of business environment, the user or customer will be able to understand the type of future problems and their prospects of business well in advance. It makes the business organizations to handle related problems strongly in order to handle favourable situation.

Acceptability: The study of business environment allows a businessman to expand its business and make him to work in social network. By this, the business organizations results in positive acceptance of maintaining ecological setup by learning various social business environment.

Utilization of Resources: The study of business environment, it is clear that the optimum use of resources can be made available by studying economic and technological environment. With the study of such environment helps the organization to achieve maximum benefit of policies, concessions and developments.

Check your progress 2

1. What is the role of acceptability in business environment?
 - a. It makes an establishment to handle related problems
 - b. It makes the business organizations to handle related problems strongly
 - c. It allows a businessman to expand its business and made him to work in social network
 - d. All of above

Check your progress 3

1. The strength of company is
 - a. More manpower.
 - b. More financial power.
 - c. Job satisfaction among the employees.
 - d. All of above

Check your progress 4

- 1 The tension between Iran and US affects the Indian business environment.
 - a. Because it affects the input India uses.
 - b. Because Indian exports to Iran are getting affected.
 - c. These are the external factors and India has little control over them.
 - d. All of above

1.4 Need of Environmental studies for Business

In general, business will work and flourish if the environment is clear and supportive. The inputs in terms of human, physical, financial resources are drawn from environment. It is the working of business which will converts such type of resources with several processes in terms of outputs of products and services. There occur three basic objectives of environmental analysis in terms of business such as:

- To examine and predict current and potential changes that take places in an environment.
- Should provide inputs in order to prepare strategic decisions.
- To carry out and foster strategic thinking in an organization.

Apart from these there are problems that make an environmental to influence and to analyse based on complexity, diversity, uncertainty and limitations. There are certain framework which made the environmental to understand is:

- Initial view about uncertainty.

- Auditing of environmental influences to find important factors that will affect the organization's development or performance.
- To stress on explicit consideration of current environment of an organization.

Normally today, business needs to be environmentally sound and clean.

There are two basic opinions that take care about the environment:

Introduction to Indian Business Environment

1. Keeping the environment clean is very expensive so to keep the prices low as desired by the consumers.
 - As protecting of environment results in an expense and reduce profits.
 - As there will be more prices, it means increased costs.
 - Establishment should be competitive as compared to those who are not environmentally friendly.
2. Consumers need to have businesses with social responsibility.
 - With this clean and efficient machinery will benefit the business in longer run.
 - With the effect of environmental issues, social responsibility on business will increase.
 - With use of scarce resources, it will be nothing for future generations and raise prices.

Check your progress 5

1. What among the following is not an objective of environmental analysis?
 - a. To examine the present change.
 - b. To work for earlier alterations that appear in an environment.
 - c. To provide inputs to prepare strategic decisions.
 - d. To carry out strategic thinking in an organization.

1.5 Let Us Sum Up

In this unit we have learnt that India has open-minded, attractive and trade friendly investment opportunities which worked out with varied environmental perspective. With this, India has heavy and encouraged foreign investment that works with any level. It is seen that India combines an awesome socio-economic brand along with 55% of its occupant lives underling the age of 25.

We can say that business is related to activities that carries sale, purchase, manufacture, processing, and marketing of goods and services. An assertion of business environment supports to determine potency, feebleness, chances & warnings. Examination is very compulsory for the survival as well as development of the business endeavor.

Generally, business will work and flourish if part of environment is clear and

supportive with inputs as human, physical, financial resources that originate from environment.

1.6 Answers for Check Your Progress

Check your progress 1

Answers: (1- b)

Check your progress 2

Answers: (1-c)

Check your progress 3

Answers: (1-c)

Check your progress 4

Answers: (1-d)

Check your progress 5

Answers: (1-b)

1.7 Glossary

1. **Business Environment** - These are the forces which will affect the performance of an organisation outside its control.
2. **Opportunities** - It is a positive external trend which will help an organisation by improving its performance.
3. **Threats** - These are environmental trends which lower the output performance of an organisation.

1.8 Assignment

What do you mean by business? Write any two characteristics of it.

1.9 Activities

Discuss the business factors that will affect the environment?

1.10 Case Study

Business environment helps in finding of threats and early warning signals. Discuss.

1.11 Further Readings

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TYPES OF BUSINESS ENVIRONMENT

: UNIT STRUCTURE :

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- 2.2 Types of Environment - Natural Environment
- 2.3 Economic Environment
- 2.4 Political Environment
- 2.5 Social Environment
- 2.6 Technical Environment
- 2.7 Cultural Environment
- 2.8 Educational Environment
- 2.9 Legal Environment
- 2.10 Cross-cultures Environment
- 2.11 Let Us Sum Up
- 2.12 Answers for Check Your Progress
- 2.13 Glossary
- 2.14 Assignment
- 2.15 Activities
- 2.16 Case Study
- 2.17 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- About Business Environment.
- About Cross culture environment.
- The Basic of Education role in business society.
- Factors of Technical Environment.

2.1 Introduction

It is seen that success of business is dependent upon adjusting to environment inside which it works. It is viewed that as when the changes in government policies occur, business will also amend itself as per the changes and required new policies. It is found that the result of modernisation, the things will become obsolete day by day. With invent of every new technology, the old technology is either modified or is of no use. All these aspects are external factors that are beyond the control of the business. So business units will tend to adapt themselves for such changes so as to work and succeed. With this it is clear that the necessity of clear understanding of business environment concept is required.

Business environment concerns external forces, factors and institutions that are far away from control of business which may affect functioning of a business establishments. Such will include customers, competitors, suppliers, Government, social, political, legal and technological factors. These factors results in direct impact on business establishments. So it is collectively narrated that business environment comprises total surroundings that have direct or indirect effect on functioning and working of business. These are set of external factors which could be:

- economic factors
- social factors
- legal factors
- demographic factors
- technical factors



Fig 2.1 External Factors

2.2 Types of Environment- Natural Environment

Establishment which are into industrial or manufacturing industry normally will work as per required kinds of latest equipment, machinery and chemical producing agents. In consequence, assignment day-to-day activities can imitate an on-going intimidation to the undeceptive environment. To alleviate the possibility of depredate to the surroundings, federal as well as state regulations compel assignments approximate confident natural environmental agencies in their overall exercises plans.

Environmental Regulations

Regulation of certain business activities tends to save certain government agencies in terms of environment regulations. It is analysed that business should ascertain the required standards which can be used in order to lower any adverse effects which a company activities had on environment. So it is visualised that natural environmental factors like clean water and clean air will guide how companies should act on their daily working.

Permit Requirements

Companies embodied in campaigns that impact their surrounding environ-

ment definitely acquire to file for operating approves through a proximate, state or federal government medium. Business authorize demands empower government instruments to arrange also maintain trend of business behaviours. These authorizes assist contrasting approaches, several of which comprise apportioning negligible standards for several air emissions, coercing assured approaches for responding rubbish as well as dangerous constituents along with composing how a company's day-to-day activities cooperate with approaching water supplies. In consequence, natural environmental factors ascertain the categories of behaviours a company can campaign in within a demanding ground or domain.

Compliance Requirements

Natural environmental executors authorize assignment behaviours as beneficially as its adeptness to develop or acquire on contemporary behaviours. In consequence, companies need acquiesce with environmental regulations in collective settings of a enterprise' establishment. Companies concentrating acquiring a building should assure the building adheres to environmental regulations or threat disbursing corrections for disobedience. Building elevations mandate additionally assemble regulatory constraints. Companies that embrace as inside of disobedience may hazard gripping their activities locked down on a fixed basis. Consummately, natural environmental operatives authorize a company's overall charges in terms of assuring appliance as well as approaches convene regulatory conditions.

Environmental Contaminants

Businesses that function with dangerous constituents on a accustomed action acquire assured obligations when it approaches to assuring contaminants don't measure or command the natural environment. The complete Environmental acknowledgment, adjustment as well as default appear assume business holders likely for conducts that adulterate girding air, soil or water feeds. These law consistent exercises for contemporary business holders, who unknowingly acquire an adulterated location or appropriation activity that collapses to encounter acquiescence standards. Completely, holders, either Palaeolithic along with contemporary, need blanket clear up costs as well as the costs of curing a property to compelled environmental up-rights.

Check your progress 1

1. Natural environmental factors affects:
 - a. business cost
 - b. business growth
 - c. business extensions
 - d. business operations

2.3 Economic Environment

The economic surroundings consists relevantly extraneous alternates in a business' establishment along with the broader moderation that can autho-

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size a business. You can separate the economic surroundings into the microeconomic environment, which commands business determination bringing about - like as autonomous behaviours of concerns as well as clients - along with the macroeconomic surroundings, which influences an exhaustive moderateness along with conclusive of its participants. Repeated economic intermediaries behave as outward blockages on your business, which describes that you embrace minimum, if several, command over and above them.

Macroeconomic authorizes are blunt economic alternates that either clearly or incidentally authorize the complete moderateness along with comprehensive supplementally its participants, along with your business. These alternates encompass such things as:

- Interest rates
- Taxes
- Inflation
- Currency exchange rates
- Consumer discretionary income
- Saving rates
- Consumer confidence levels
- Unemployment rate
- Recession
- Depression

Microeconomic representatives authorize how your business determination will make certain facts. Just like macroeconomic elements, such elements also removes lower as compared to bulky in extent which does not compulsorily authorize for full complete moderateness as a whole. Microeconomic alternates empower a business that will contain:

- Market size
- Demand
- Supply
- Competitors
- Suppliers
- Distribution chain, such as retailer stores

Check your progress 2

1. Which among the following is not a microeconomic factor?
 - a. demand
 - b. supplier
 - c. competitor
 - d. recession

2.4 Political Environment

There are repeated extraneous environmental alternates that can authorize

your enterprise. It endures conventional for managers to approximate each coincidentally these alternates locally. The orientation exists habitually to accumulate favourable determinations for the firm's proceed. Numerous conventional alternatives are political, economic, communal as well as technological. Companies additionally examine environmental, legal, factual as well as demographic alternates.

The political alternates authorizing business are habitual assigned a part of criticalness. Numerous arrangements of government policy can influence business. Comprehensive enterprises need to descend the law. Managers demand determine how upcoming legislations conserve empower their behaviours.

The political surroundings can impact business subcommittees in countless manners. It could accompany a hazard alternate along with dominance to a major setback. You should believe that the political alternates embrace the competence to adjust sequences. It can additionally authorize government instructions at immediate to federal grade. Companies should be formulating to accord with the immediate as well as international consequences of politics. It is find that changes in terms of government policies will result in political alternatives. It can be economic, legal or social that will combine such factors.

Any variation in tax in terms of increase or decrease could result in an example of political element. It is estimated that government might tends to upgrade the tax range for certain companies which could be on lower side for others. The decision will have a direct effect on your businesses. So it is analysed that an up-to-date record along with certain political factors should be endorsed. There are following examples which show inter-linkages exists in several ways:

- Political decisions affect the economic environment.
- Political decisions influence the country's socio-cultural environment.
- Politicians can influence the rate of emergence of new technologies.
- Politicians can influence acceptance of new technologies.

The political surroundings endure possibly among the least predictable constituents in the business surroundings. A continuing political environment endures, as democratic governments embrace to endeavour re-election every minimum time. This extraneous constituent of business encompasses the consequences of compulsion groups. Pressure types incline to adjust government policies.

As political approximations in conflicting domains diversify, the political impact contends. The country's population democratically determines unplug government approach. In autocratic systems, government's command derives from a determine label.

Distortion is a barricade to economic establishment for repeated domains. Numerous professions endure as well as develop near approaching bribes to government functionaries. The achievement as well as development of these

INTRODUCTION TO INDIAN BUSINESS ENVIRONMENT

enterprises is not based on the approximate they assign to customers. There are certain political factors which are responsible for affecting business such as:

- Bureaucracy
- Corruption level
- Freedom of the press
- Tariffs
- Trade Control
- Education Law
- Anti-trust law
- Discrimination law
- Data protection law
- Environmental Law
- Health and safety law
- Competition regulation
- Regulation and deregulation
- Tax policy (tax rates and incentives)
- Government stability and related changes
- Government involvement in trade unions and agreements
- Import restrictions on quality and quantity of product
- Intellectual property law (Copyright, patents)
- Consumer protection and e-commerce
- Laws that regulate environment pollution

Check your progress 3

1. Which among the following law is not concern with political factors affecting business
 - a. Data protection law
 - b. Environmental Law
 - c. Discrimination law
 - d. Traffic Law

2.5 Social Environment

There continues no question that the federation exists consecutively converting. The savours along with fabricates are a comprehensive model of this alteration. One of the commanding purposeful asymmetries endures the developing elevation of communal agencies. Communal networking websites appreciate Facebook being satisfy very familial among the younger people. The adolescent customers embrace advanced facilitated to mobile phones along with computers.

The younger duration determines the ability to facilitate digital technology to market online. Older commoner will feasibly attach to their conventional ap-

proximations. The consequence of altering assortment is an frequent conversed. You additionally believe that these converting alternates embrace a dearness on businesses also. Adjustments in the communal alternates can impact a enterprise in repeated asymmetric ways.

Such types of changes are taken care effectively in depth. For this, it should use certain types of environmental analysis like pest analysis. It is found that step analysis is variation of pest. Apart from these, there are certain extended versions which includes pestle, steep and steeple analysis. There are certain factors which should be assessed that could be:

- Political
- Economic
- Technological
- Environmental
- Ethical
- Legal

Businesses determine an environmental assertion depending on the description of behaviours. Furthermore, collective of them examine the communal alternates. In the communal category for these arguments, you embrace to observe cautiously at the communal adjustments. You will additionally claim to display into the cultural alterations which acquire position in your business environment. Market examination is a finicky measure of this category. It is energetic which will glance the directions as well as prototypes of the group.

To assume the impacts favourable, you might hope to examine the alternates in facts. Headmost companies examine the population development along with era features. They additionally emerge attention in customer attitudes along with conventionality adjustments. Your assertion can display if there are damages in your marketing approach. It can additionally assist determine new creeds.

Some of the social factors which will impact customer needs and size of markets are:

- Lifestyles
- Buying habits
- Education level
- Emphasis on safety
- Religion and beliefs
- Health consciousness
- Sex distribution
- Average disposable income level
- Social classes
- Family size and structure

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- Minorities
- Attitudes toward saving and investing
- Attitudes toward green or ecological products
- Attitudes toward renewable energy
- Population growth rate
- Immigration and emigration rates
- Age distribution and life expectancy rates
- Attitudes toward imported products and services
- Attitudes toward work, career, leisure and retirement
- Attitudes toward customer service and product quality

The above listed factors will affect in terms of attitudes, opinions and interests as a result, these will give impact on sale of products along with revenues earned.

Check your progress 4

1. Which among the following social factor will impact customer needs?
 - a. Working habits
 - b. All of these
 - c. Lifestyles
 - d. Selling habits

2.6 Technical Environment

There are certain technological factors which will affect the businesses across the globe as per demand which would result in changing behaviour as per the need of traditional marketing. The fast formulation of technology needs calculating explanation by businesses in order to persevere in a materializing economic environment additionally preserve up with contemporary directions along with constructive motivations which detached combatants might be approaching.

Such class of technological alternates grasp overlay either products along with mechanisms that can efficiently display conclusive fortunes along with alarms at the equivalent duration can assist as an authoritative appearance to deal with confronting advantage that can a favourable driver in post scripts of globalisation. Products can be sold in contemporary passages furthermore procedures demonstrate awesome approximation to the business. Several of the consequent points should be approximated:

- Understanding Web Terminology
- Technology legislation
- Internet/broadband — consumer & business markets
- Technology infrastructure in a country
- Technology for consumers and businesses with innovative products and services.

- Secure Systems such as entry, pitons, digital certificates, SSL
- Change of distribution through latest technologies like Internet.
- New communication tools for communication like Social media, CRM.
- Machinery
- Equipment

These technological factors will alter the business style and nature by providing speedy and dramatic resources. Numerous establishments with dedication, invests in different categories of equipment only in case when it is lucrative and cost effective. Apart from these listed above; there are certain other technological factors which affects the businesses and its environment such as:

- **Organisational change** – It becomes quite boring and troublesome when you have to handle many people in an organisation. To change any process, procedure, shifting, alteration, the intimation to employees should be made well in advance and also try to keep them encouraging at the time of implementing such changes.
- **Business processes** – It will cover the use and application of latest technology request as per the business needs, finding and calculating business processes as per related objectives and goals. Such alterations result in benefits to the company and also to the consumer.
- **Sustainable Competitive Advantage** – Observing at technology from a constructive perspective instead of a necessary evil. Conventional representations are reforming as well as benefits can be apprehended by investing in recent technology however honourable obtaining technology for the sake of holding it is not adequate, exercising a strategic approximation is the focal in array to achieve.
- **Costs involved** – a compulsory tariff in today’s materializing surroundings. Although, it’s comprehensible that several organisations are irresponsible to invest ensuing to mechanisms being delinquent quite frequent, furthermore the ones who display this expenditure as an expedience to appropriation economic benefit as well as acquire a well-developed approach accompanied that could favour immensely.
- **Efficiency** – productivity, lessening manual labour charges, cost-effective overall alternate as it can ease, rush up as well as elaborate correctness (or e.g. departments can collaborate or assure a demanding event or circumstance of an order/delivery/service from dissimilar positions in the Value Chain).
- **Information Security/Contingency Planning** – Technology provides a lot of advantages but we should also take into consideration the responsibilities that come with it.

Check your progress 5

1. Which among the following is not a technologic factor ?
 - a. Facebook
 - b. Environment
 - c. Social media
 - d. Internet

2.7 Cultural Environment

Communal as well as cultural alternates are considerable to approximate while constructing as well as exercising a vending approach of a business. These often-linked furthermore somewhat contradictory alternates acquire conflicting conducts on the alternatives of customers along with consumers. Essentially, socio-cultural alternates are conventionalities, habits along with appraises that act a group. More particularly, cultural arrangements encompass aesthetics, education, language, law as well as politics, religion, social organizations, technology along with material culture, values also attitudes. Communal alternates constitute cross-reference categorizes, family, role along with occasion in the society. Small-business holders should be attentive of as well as accept these alternates coherence with fetching conventionalities.

As constituent of the culture, social committee is the procedure a society arrays itself, how it approximates brotherhood, condition approximation, social institutions as well as interest groups. For example, the position of women in a coalition, whether they are the decision-makers in shopping, for prototype, is a clear alternative in vending. A major attentiveness group in the domain — similar as oil establishments can additionally authorize union. The selling of a concise business can be beneficial by developing its broadcasting approach on women or moms, a definite attention group or a leader that embraces the biggest control in the culture.

Check your progress 6

1. Which among the following is not a cultural environmental factor ?
 - a. law
 - b. none of the above
 - c. education
 - d. language

2.8 Educational Environment

It is studied that if the level of education in a society is high, which means that the literacy rate is high, then it will affect the social values in an impressive style and change in attitude. If a person is literate he can easily distinguish among good or bad and right and wrong. It is found that if a person is literate then he/she will have better attitude towards the work. With the result of literacy, if people are into business, then they can easily think about related means of doing business and can apply latest techniques and technology to expand. It will be easy for such persons to decide and can take instantaneous decision on related business matters.

With education, business needs of employers' and customer will increase with their demands.

An educated person can able to tackle any business problems easily and at the same time can reach to any alternatives. With increase in education, the knowledge among the society will also spread.

Check your progress 7

1. One of the main advantage of business growth results from:
 - a. money
 - b. habit
 - c. education
 - d. travelling

2.9 Legal Environment

Numerous alterations in the law commence from government instruction. Numerous of these laws are Europe-wide, for simulation, the balusters for bus transport evacuations. First makes certain that complete its buses gather these conditions. Constitutional adjustments that control assignment are approximately tied up with political ones. First has to contemplate as well as arrange to gather forthcoming defensible alterations. From 2010, as portion of a campaign designated Carbon Reduction Commitment, First as well as other companies hold expectation to acquire carbon entrusts. These entrusts will authorize companies to bring about particular amounts of carbon emissions. First is already developing a profit and loss to conduct this furthermore is assigning out filter plans for assuming how much CO2 it will generate after 2010.

Laws Affecting Businesses

Businesses are predominating to country's legal approach. Several of the laws particularly consolidate to business, while numerous are commonly appropriate to all. Increasingly, if you conduct business overseas, you will additionally be predominate to the laws of each external country where you endeavour business, as well as international laws as well as agreements ventering such units as exchange as well as charges.

Organizational Law

If your business is arranged as a judicial entity, it control be predominate to the state coordination which coordinates the activity along with behave of that category of entity. Official business entities encompass:

- Corporations Partnerships Limited partnerships
- Limited liability partnerships Limited liability limited partnerships Limited liability companies

Securities Law

Businesses that seek to obtain financing through investors may be subject to securities law. For example, if you decide to offer promissory notes - a special type of loan - to investors, the offering will often be considered the

offering of a security and will subject you and your business to state and federal securities laws and regulations.

Employment Law

Businesses that exercise masses along with federal laws accompanied to employment, constitutes anti-discrimination laws, occupational hardiness as well as protection laws that are described to guard the hardiness as well as fitness of employees, workers appeasement laws that appease workers harmed on the job, wage along with hour laws, furthermore external labour laws regarding unions.

Contract Law

If you assume to attain numerous acceptance with another person or entity, you will be predominate to contract law. There is additionally a different domain of law that promises clearly with government agreements, for the time being acknowledged as government accumulation law.

Check your progress 8

1. The Legal business entities includes:
 - a. Internet
 - b. education
 - c. corporations
 - d. Power

2.10 Cross-cultures Environment

Business is not acted in an equivalent showiness from classicalism to stylishness. Posteriorly, business associations are elaborated when managerial, sales, along with technical personnel are domesticated to be attentive of domains likely to commence communication complexities as well as struggle against cultures. Comparatively, international communication is consistent furthermore empowered when merchants can contemplate domains of prevalence. Comprehensively, business in common is elaborated when people from contrasting cultures determine fresh applications to venerable problems conceiving solutions by assembling cultural perspectives along with inspecting the problem at hand from each other's contradictory cultural perspectives.

Problems in business declaration comported against cultures frequent arise when participants from one culture are unable to affirm culturally discovered alterations in communication behaviours, traditions, as well as absorption processing. At the best elementary level, difficulties may exist when one or additional of the people encompassed connect to an ethnocentric appearance of how to behave business. Ethnocentrism is the conviction that one's acquire cultural group is somehow innately better to others.

It continues at ease to discuss that ethnocentrism solitary controls the adamant or those inattentive of other cultures, additionally therefore is incredibly to be a major alternate in one's acquire business communication. Although, complexities oncoming to a misinterpretation of constituents in cross-cultural communication it may authorize consecutive educated people. Eth-

nocentrism is double-crossing exactly since fractions of many classicalism envision their acquire behaviour as feasible, because that behaviour appears for them. People incline to acknowledge the measures of the community around them as complete values. on account of each cultivation embraces its own category of values, repeated quite deviated from those approximations declared in other cultures, the consideration of acquiescing as well as disrespectful, absurd along with brilliant, additionally ceaseless accurate as well as aberrant become botched. In international business, challenges appear revering what is appropriate by which culture's approximations, what is astute by which culture's appearance of the world, along with what is absolute by whose standards.

Thus no one autonomous is possible to determine the delicate commences of ethnocentrism that appearance that he or she is, international business practitioners essential be characteristically attentive in behaving business communication against cultures. It is compulsory to determine to elevate higher than culturally drowned channels of observing the globe. To do this, one expects to comprehend how the conception of an allotted advice changes depending on the culturally domineering observation of those communicating. Culture articulately controls the communication procedure in an international business apportioning through seven variables:

- Language
- Environmental and technological considerations
- Social organization
- Contesting and face-saving
- Authority conception
- Non-verbal communication behavior
- Time conception

Check your progress 9

1. Which among the following are factor responsible for Culture ?
 - a. social organization
 - b. all of above
 - c. language
 - d. technological

2.11 Let Us Sum Up

In this unit we have learnt that the result of modernisation shows that things will becomes obsolete day by day with invention of every new technology. It is related to external factors which are beyond the control of the business. It is studied that there are several set of external factors which will impact the business of a country that are economic factors, social factors, legal factors, demographic factors, technical factors etc.

It is found that there are regulations of certain business activities which tend to save particular government agencies in terms of environment regulations

by analysing business ascertained as per standards that are used to lower any adverse effects. It is found that the economic surroundings consists relevantly extraneous alternates in a business establishment along with the broader moderation that can authorize a business.

The technological factors will change the business style and nature by providing speedy and dramatic resources. Numerous establishments with dedication, invests in different categories of equipment only in case when it is lucrative and cost effective. Communal as well as cultural alternates are considerable to approximate while constructing as well as exercising a vending approach of a business. These often-linked furthermore somewhat contradictory alternates acquire conflicting conducts on the alternatives of customers along with consumers

2.12 Answers for Check Your Progress

Check your progress 1

Answers: (1-d)

Check your progress 2

Answers: (1-d)

Check your progress 3

Answers: (1-b)

Check your progress 4

Answers: (1-a)

Check your progress 5

Answers: (1-d)

Check your progress 6

Answers: (1-d)

Check your progress 7

Answers: (1-a)

Check your progress 8

Answers: (1-c)

Check your progress 9

Answers: (1-d)

2.13 Glossary

1. **Liberalization** - Liberalization refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises.
2. **Privatization** - Privatization refers to reducing the role of public sector by involving the private sectors in most activities.
3. **Globalization** - Globalization means 'integrating' the economy of a country with the world economy. This implies free flow of goods and services, capital, technology and labour across national boundaries.

2.14 Assignment

Discuss some educational factors that will improve the business in a society?

2.15 Activities

Compare among organisational law and employment law in detail?

2.16 Case Study

Can an organisation grow its business in case of a weak economy? Discuss.

2.17 Further Readings

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: UNIT STRUCTURE :

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 Unemployment**
- 3.3 Poverty**
- 3.4 Regional Imbalance**
- 3.5 Social Injustice**
- 3.6 Inflation**
- 3.7 Parallel Economy**
- 3.8 Environmental Problems Affecting Growth of Business**
- 3.9 Let Us Sum Up**
- 3.10 Answer for Check Your Progress**
- 3.11 Glossary**
- 3.12 Assignment**
- 3.13 Activities**
- 3.14 Case Study**
- 3.15 Further Readings**

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Concept of Unemployment.
- The Concept of Poverty.
- The Concept of Regional imbalance.
- The Concept of Social injustice.
- The Concept of Inflation.

3.1 Introduction

Growth is the main aim of a business. Not every growth is required, but it certainly comes with disruptions. In certain companies, adjusting with growth is a matter of inputting new employees and promoting experienced employees into management. It is seen that in small companies like home business, growth is not exactly required because of low overhead costs. For them, growth relates to opportunity to move out of house and construct an independent concern.

Unemployment serves as an important issues in business growth as it locks people in poverty by generating economic growth in future since people loses skills and become unemployable. It is seen that variation with uneven amount of wealth is owned by small marginal of population by affecting social stability.

In this block you will be given an idea about poverty and how poverty will affect the growth of economy. The knowledge related to regional imbalance in economic development and rapid industrialization on social injustices is highlighted. You will be given with an idea about inflation on fixed income.

It is analysed that small companies have several unique problems which result in significant growth potential where internal issues are created. Small businesses are constantly evolving and depend entirely on abilities and personalities of owners.

3.2 Unemployment

Unemployment is an important issue in growth of business. It basically locks people in poverty by generating economic growth in future, as people lose skills and become unemployable. It continues variation, with uneven amount of wealth owned by small marginal population by affecting social stability. Growth becomes enough as direct policy measures are required to handle the underlying structural and demographic issues irritating the world's labour markets.

The main reason to study unemployment is that it contributes to shortage which always exists due to limited resources and unlimited human needs. Consider the diagram shown in fig 1.1 where there are ways to reduce scarcity. It is noted that full employment using all available resources makes the productions of excess goods and services lowers shortage.

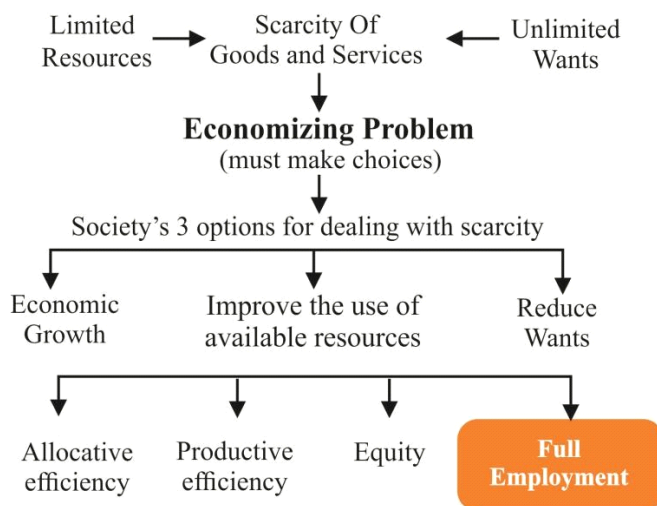


Fig 1.1 ways to reduce scarcity of unemployment

Types of Unemployment

In order to have an idea on how we can get potential level of output with 4.5% unemployment, we have to study the three causes of unemployment as:

1. Frictional Unemployment

It is a type of unemployment that is created by workers who are looking for their first job. This type of unemployment is good as without it, the economy could not produce much possible output. For economy, this type of unemployment is required as it achieve its potential level of output.

2. Structural Unemployment

It is a type of unemployment of workers whose skills are not demanded by employers. They are unemployed as they have insufficient skills to get employment. Structural unemployment can result from changes in the structure of demand for labour.

Under this unemployment, people not having required skills are not employed, so we can still produce potential level of output with available resources even if there is structural unemployment.

3. Cyclical Unemployment

It is a type of unemployment that is caused by insufficient total spending. This type of unemployment results from recession of business. If there is less aggregate demand firms respond by producing less. Output and employment are reduced.

Check your progress 1

1. The important reasons to study unemployment is that it:
 - a. contributes to shortage
 - b. contributes to limited resources
 - c. contributes to unlimited human needs
 - d. all of above

3.3 Poverty

Poverty is the term used to describe when a person is unable to meet their basic needs due to mainly economic constraints. The basic needs of a person are clean water, adequate food, shelter, health, and education. When a person does not have these basic needs due to economic constraints, they are considered to be living in poverty. Recognizing that economic growth represents the single best answer to poverty, most governments and the development community have focused their efforts on creating the right conditions for growth. These conditions must take into account not only the quantitative aspect of growth, but also its qualitative nature, so that it can be sustained over time, ensuring fair economic and social progress and meeting the growing global population's aspirations. In other words, rapid and sustained poverty reduction requires that all people in a country contribute to and benefit from economic growth. It also requires that economic growth be sustainable not only over time but with regard to natural resource deployment, so the needs of future generations can be met as well as those of today. This is our definition of sustainable development.

Investments in businesses are fundamental for economic growth and long term, sustainable poverty alleviation. Businesses provide income, jobs, goods, and services to enhance people's lives and help them escape poverty. Among the world's poorest people, having a job is seen as the most important tool to get out of poverty. A functioning business sector is crucial to achieve this 90 percent of all jobs are created in the private sector in developing countries. Private businesses also account for most of a country's tax revenues and thus contribute to finance public goods, such as better health and education.

Many developing countries also have a one-sided economic structure. It is therefore important that the economy becomes more diversified, so that the business sector becomes more robust to, for example, fluctuations in the price of a single commodity. Small and medium enterprises are particularly important to achieve a more diversified economy.

Check your progress 2

1. Poverty relates to:
 - a. meeting basic needs
 - b. not meeting basic needs
 - c. meeting economic constraints
 - d. all of above

3.4 Regional imbalance

However, the perception is that regional imbalances have actually got accentuated, particularly over the past 15 years. Different parts of the country are in different stages of development which is not uniform at any point of history. Even the problem of intra-state inequalities has not been adequately addressed, with regional disparities persisting within all states to a greater or lesser degree.

The Centre has an important role to play in promoting balanced development in which all states, and regions within states, have the opportunity to develop evenly. This equity promoting role demands that greater efforts be made to remove the gaps in the provision of human development and basic services and infrastructure so that no region or sub-region and no group remains deprived of the fruits of development and at least attains a minimum standard of living. The equity-promoting role of central planning assumes added importance in the wake of the emerging policy environment. With the opening up of economy and removal of controls, the play of market forces may tend to make worse on disparities. As the economy gets increasingly integrated with the global economy, the Centre may be required to play a stronger equity-promoting role and to secure sufficient space for all the federal units to work out their own strategies of development, harnessing global regimes or forces for the purpose, rather than being overwhelmed by them.

The Centre would also be required to ensure suitable a macroeconomic policy framework for the growth of the economy in order to meet the aspirations of the people. Furthermore, the focus on inter-state disparities masked the incidence of intra-state disparities. The Tenth Plan had, accordingly, advocated a multi-pronged approach to provide additional funding to backward regions in each state, coupled with governance and institutional reforms. Midway through the Plan, the Midterm Appraisal seeks to take a fresh look at the key issues involved and strengthen/refocus strategies as warranted by the present situation and the lessons gained through experience.

There is no clear historical consensus on the best mechanism for reducing regional disparities. It is found that direct investment in public sector units and capital and other subsidies for private sector in backward regions assumes to be the best way of addressing regional imbalance by capital formation as well as income and employment generation. The Central Plans have traditionally focused on setting only national targets. However, recent experiences suggest that the performance of different states varies considerably due to variations in potentials and constraints.

For example, although the growth of the economy as a whole has accelerated, the growth rates of different states have varied and have even decelerated in some of the poorest states. It is important to recognise that the sharp increase in the growth rate and significant improvement in the social indicators that are being contemplated for the Tenth Plan will be possible only if there is a corresponding improvement in the performance of the relatively backward states. Indeed, if the higher targets were sought to be achieved simultaneously with the relatively slower progress in some of the most populous states, it would necessarily imply a very large increase in inter-state inequality

Check your progress 3

1. The regional imbalances of economic development is affected by:
 - a. Regional disparity in resources
 - b. Lesser resource utilization
 - c. Lack of education
 - d. Less demand of people

3.5 Social injustice

Social Justice in its essence is the culmination of a number of overarching themes and values with practices for the general good of all of society. It represents inclusive growth and fair play for every section of society with a focus on protecting the weaker groups of the population. In India and in developing world, social discrimination and injustice cannot be seen and understood as in more developed world. This part of the world faces a large set of problems that has risen from social injustice and the violation of human rights, sometimes out of necessity or simply due to ignorance.

The effects of rapid industrialization in the developing world can be seen through the lens of poor infrastructure and its development, which entails the acquisition of land and the displacement of indigenous people. This has become fairly common and frequent, especially in the past three decades. A major chunk of the problem was originally due to lack of awareness and the transfer of important natural resources to industrial investors by the government sometimes without any environmental considerations. More than 70% of the local population still lives in rural areas today, and their survival depends on these natural resources, but they were often subjugated to land grabs, displacement mostly without any due process or compensation.

The federal government is starting to pressure local governments to let marginalized populations remain on their land, or to find new land for them to work and live. One of the new policies is the inclusion of a right to housing for each poor and landless family.

Check your progress 4

1. Social justice is the balance between:
 - a. Individual's rights
 - b. Society
 - c. Fundamental rights
 - d. Family

3.6 Inflation

Inflation is the annual rate of increase in the price level.

Effects of Inflation

There are two major effects of inflation. "Redistributive effects" means that inflation affects different groups differently. Some people are hurt by inflation and some people are helped by inflation. The "output effects" of inflation include its impact on how much is produced in an economy.

Redistributive effects of inflation:

Fixed-income groups will be hurt by inflation because their real income suffers. Their nominal income does not rise with prices, but if there is inflation the purchasing power of their pay check, or their real income, would decrease.

- Savers will be hurt by unanticipated inflation, because interest rate returns may not cover the cost of inflation. Their savings will lose purchasing power.
- Debtors can be helped by unanticipated inflation. Interest payments may be less than the inflation rate, so borrowers receive "dear" money and are paying back "cheap" dollars that have less purchasing power for the lender.
- Creditors are hurt by unanticipated inflation since they will charge an interest rate that is "too low" since they did not expect to be paid back with dollars that are less valuable.

If inflation is anticipated, the effects of inflation may be less severe, since wage and pension contracts may have inflation clauses built in, and interest rates will be high enough to cover the cost of inflation to savers and lenders.

- "Inflation premium" is amount that interest rate is raised to cover effects of anticipated inflation.
- "Real interest rate" is defined as nominal rate minus inflation premium.
- Anticipated: Increases in the price level which occur at the expected rate
- Unanticipated: Increases in the price level at a rate greater than expected.

Output Effects of Inflation

Demand-pull inflation has a stimulus effect on the economy resulting in greater output as shown in fig 1.2.

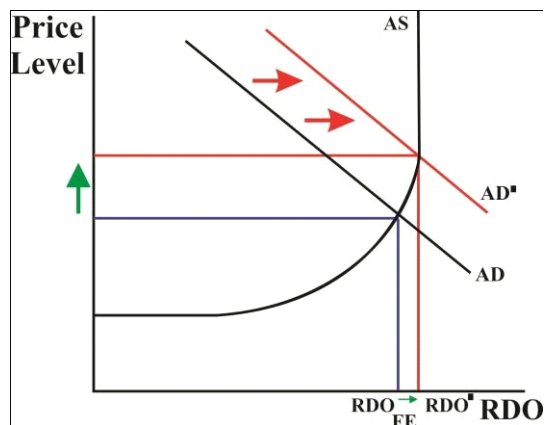


Fig 1.2 demands pull inflation

In the Figure 1.2 there are 2 demand curves, AD and AD1. demand curve AD shows the normal equilibrium.

as demand increases demand curves shifts from AD to higher position and becomes AD1 but this triggers price rise and resulted into demand pull inflation.

in the figure 1.3 cost pull inflation is shown. in this diagram important thing is demand is not the triggering point it the cost of inputs which increases the price and Perice line shifts from PL1 to PL" and demand contracts from RDO to RDO". the cost of input means the cost of Rent for Land, Wages for labors, Interest of Capital and Profit expectation.

Cost-push inflation has a contractionary effect resulting in less output.

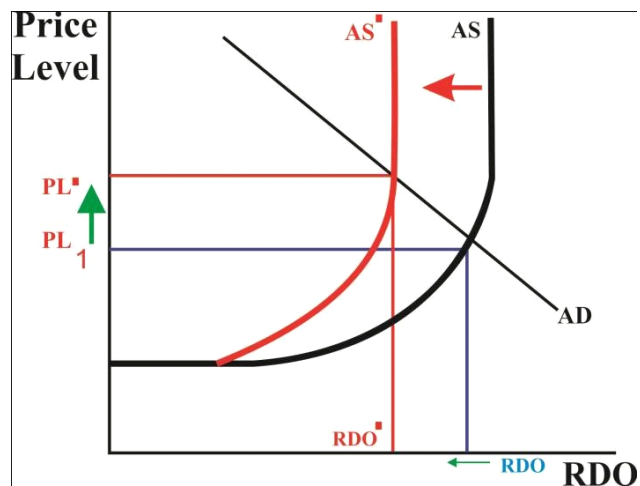


Fig 1.3 cost pull inflation

Check your progress 5

1. The minimum interest rates and cash flows reflects:
 - a. inflation effects
 - b. opportunity effects
 - c. equity effects
 - d. debt effects

3.7 Parallel Economy

Also called the underground, informal, or parallel economy, the shadow economy includes not only illegal activities but also unreported income from the production of legal goods and services, either from monetary or barter transactions. Parallel Economy connotes the functioning of an unsanctioned sector in the economy whose objectives run parallel, rather in contradiction with the aroused social objectives. This is variously termed as „black economy?, „unaccounted economy?, „illegal economy?, „subterranean economy?, or „unsanctioned economy?.

3.8 Environmental problems affecting growth of Business

Business provides social needs, goods, and services to public to satisfy demand to consumer. Business activities also have become a major contributor to environmental destruction. The activities are consuming of resources and processes in manufacturing need to be developed in order to save the environmental sustainable development planning.

Key environmental issues affecting business include industrial waste, sustainable development of raw materials and water and air emissions. These issues affect business because laws require businesses to change equipment and procedures to meet imposed standards, which costs businesses money. Many businesses undertake stricter changes in an effort to preserve the environment and do what is right. These businesses pay for the protective and proactive environmental measures and attempt to recoup the expenses through consumer good will or the added consumer base gained from an environmentally friendly policy.

Waste

Businesses that manufacture products create, at some point in the manufacturing process, manufacturing waste. Environmental laws and good environmental citizenship prohibit the indiscriminate dumping of manufacturing by product, so businesses must decide how best to dispense with it. Many implement recycling programs; others sell what they can of the waste to other manufacturers who use it in their own manufacturing processes as raw material.

Sustainable Development of Raw Materials

All manufacturers use raw materials to put together their goods. When these raw materials are natural, such as wood, laws and good environmental citizenship require that the business take measures to replace what it uses. Christmas tree farms are a prime example, as sellers buy from growers who harvest and replant in order to keep from depleting entire forests of naturally occurring pine trees.

Emissions

Manufacturing processes often generate air and/or water emissions, which include particle or chemical-filled smoke, ash and particles and chemicals that seep into ground water through run-off. Environmental protection laws require businesses to protect the environment from exposure to these emis-

sions. New regulations are implemented frequently that require retrofitting of manufacturing facilities with increased protections, such as screens of even finer gauges and pond liners of newer and safer materials. All of these measures are costly to business and affect businesses first by decreasing profit margins.

Check your progress 6

1. Which is not an environmental issue that affects business ?
 - a. pollution
 - b. waste
 - c. natural raw materials
 - d. emission

3.9 Let Us Sum Up

In this unit we have learnt that growth serves as main tool for business as not every growth is required where certain companies, adjust with growth in matter of inputting new employees and promoting experienced employees into management. It is seen that unemployment is an important issue in growth of business which basically locks people in poverty by generating economic growth in future since people lose skills and become unemployable.

It is noted that poverty describe when a person is unable to meet basic needs results from economic constraints. The basic needs of person are clean water, adequate food, shelter, health, and education. As noted, perception is that regional imbalances that has actually got accentuated over the past 15 years where different parts of country are in different stages of development which is not uniform at that point of history.

The idea of social justice culminates in a number of overarching themes and values that practices general good of all society represented inclusive of growth and fair play for every section of society with focus on protecting weaker groups of population. It is elaborated that inflation serves wage and pension contracts that may have inflation clauses built in with interest rates that remains high enough to cover cost of inflation to savers and lenders.

3.10 Answer for Check Your Progress

Check your progress 1

Answers: (1-a)

Check your progress 2

Answers: (1-b)

Check your progress 3

Answers: (1-a)

Check your progress 4

Answers: (1-b)

Check your progress 5

Answers: (1-a)

Check your progress 6

Answers: (1-c)

PROBLEMS OF GROWTH

3.11 Glossary

1. **Business** - Any activity or organization that produces or exchanges goods or services for a profit.
2. **Capital Cost** - expenditure or cost incurred by a company in order to expand its business operations.
3. **Capital** - Resources and goods made and used to produce other goods and services.
4. **Cash** - Money in the form of paper currency or coins (as distinct from checks, money orders or credit).

3.12 Assignment

What is inflation?

3.13 Activities

What are some features of generation of black money?

3.14 Case Study

Sub-prim mortgage crises 2008.

China's debt problem.

1991 Reforms in India.

Exit of Britain from European union.

3.15 Further Readings

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BLOCK SUMMARY

In this block lots of information about business and economy with need and importance are explained. Various environmental factors which affect the business in India are explained with certain illustrations. For your knowledge the block highlights specific rules and regulations that are associated with specific factors are explained so that you should know while working and discussing on it.

The block information is quiet useful for you or related user as it simply explains about business and its working. The block will detail information on how to run business with standard rule and regulations by overcoming environmental factors.

BLOCK ASSIGNMENT

Short Answer Questions

1. What is Ethnocentrism?
2. What are the objectives of business?
3. Highlight a short social factors that will affect the business?
4. Write a short note on cultural environment?
5. What are the objectives of environmental analysis in terms of business?
6. What is parallel economy?
7. What will be the effect of regional imbalance in economic development?

Long Answer Questions

1. Write certain technological factors affecting business needs?
2. Write a short note on Compliance Requirements?
3. Describe some macroeconomic elements?
4. List some Environmental Factors affecting Business?

INTRODUCTION TO
INDIAN BUSINESS
ENVIRONMENT

Enrolment No.:

1. How many hours did you need for studying the units ?

Unit No.	1	2	3
Nos of Hrs			

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any Other Comments

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**Dr. Babasaheb
Ambedkar
Open University**

BBAR-301

BUSINESS ENVIRONMENT

BLOCK-2 NATURAL ENVIRONMENT RESOURCES AND ENVIRONMENTAL ISSUE

UNIT 1

ENVIRONMENTAL FACTORS AFFECTING BUSINESS

UNIT 2

NATURAL RESOURCES AND SUSTAINABILITY

UNIT 3

ENVIRONMENTAL ISSUE RELATED TO BUSINESS

NATURAL ENVIRONMENT RESOURCES AND ENVIRONMENTAL ISSUE

BLOCK 2 : NATURAL ENVIRONMENT RESOURCES AND ENVIRONMENTAL ISSUE

Block Introduction

Natural Environment is an ultimate source of all the power which runs all types of human activities. All the resources which are essential for promoting and sustaining business activities come from Nature, therefore Natural Environment has indispensable role in the growth of all types of economic activities.

Countries in all over world have different environment conditions which make them unique among nations. China which has written a new saga of Economic Growth has achieved this with the help of Natural resources e.g. Rare Earth, Rare essential minerals which are needed to manufacture all modern technology equipments, batteries and advance equipments are found in China in huge quantity. Its all role of Natural Environment. Countries and parts of some countries like Bhutan, Switzerland, Bali island chains, Africa attracts people because of their natural Environment, the business of tourism industry is thriving there. The Center point of these activity is Environment.

Middle Eastern countries which are famous for their oil fields and earning money by selling Crude Oil to all most all countries, business was done on the bases of Oil and group like OPEC were at center point of world economics and business as well as politics just because of one natural resource called Oil. So the Topography, Climate, minerals and water resources are essential for business and in turn Economic Growth.

Environmental resources are essential for Economic Progress but the art of using these natural resources in favor of country's growth is another thing. There are many countries which are rich in terms of Natural Resources but they are not able to use those resources optimally in favor of their own growth due to the lack of Adequate Infrastructure. e.g. Many African Nations and north est parts of India (Seven Sister states) are examples of infrastructural lacking areas, although India has institutions while many African Countries have no or less institutions.

There is common consensus among all nations that using environmental resources by present pace is going to harm all the nations and saving environment and achieving sustainable development is essential, so countries are also making efforts to reduce carbon emission and encouraging more and more use of cleaner technologies in every aspect of human life weather that is use of hybrid or electric engines in the car or generating power from clean energy resources to the micro and individual consumption of electricity in household, nature of these all activities is changing to become more cleaner user to save environment. new technologies are being introduced in agriculture sector to use less water and power, people are being encouraged to use less water or charges are being taken on the use of water to discourage them using more water, same way measures are being taken worldwide to reduce air pollution as many countries have proposed time-line to ban petrol and diesel vehicles in their respective countries. e.g. China has said that after 2024 all the four wheelers should be free from petrol and diesel engines, Singapore till 2040, Norway till 2025, Netherlands till 2030 all cars on fossil fuel will be banned etc.

After completing this block, you will come across with the knowledge of how typography serves as an essential factor in economic development growth. The block will make you to aware about effect of climate in economic development and needs of certain factors which are responsible for growth development.

Block Objective

After learning this block, you will be able to understand:

- Features about environmental problems affecting growth of business.
- The environmental factors affecting business.
- Role of typography in economic development.
- Study the effect of climate on economic development.

Block Structure

Unit 1: Environmental Factors affecting Business

Unit 2: Natural Resources and Sustainability

Unit 3: Environmental Issue Related To Business



Unit 1

ENVIRONMENTAL FACTORS AFFECTING BUSINESS

: UNIT STRUCTURE :

1.0 Learning Objectives

1.1 Introduction

1.2 Physical Factors

2.2.1 Topography

2.2.2 Climate

2.2.3 Minerals

2.2.4 Water resources

1.3 Cultural Factors

2.3.1 Infrastructure

2.3.2 Technology

2.3.3 Tradition

2.3.4 Political Set-up

2.3.5 Social Set-up

2.3.6 Educational Set-up

1.4 Let Us Sum Up

1.5 Answers for Check Your Progress

1.6 Glossary

1.7 Assignment

1.8 Activities

1.9 Case Study

1.10 Further Readings

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Concept of environmental factors.
- The Concept of physical factors.
- The Concept of cultural factors.

1.1 Introduction

The location of an industry is one of the important problems which are normally faced by promoters. It is the responsibility of promoters which search the location to which an enterprise should have simple access to raw materials, labour, power, markets and certain other services such as banking, transportation, communication, insurance and warehousing. Apart from other factors, location serves as an optimum where costs of production and distribution appear to be minimum.

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If location of industry is not suitable, it may cause many types of problems as cost in transport and unavailability of correct labour. It may also restrict to the growth of firm. The problem of location is faced not only by new concerns but also by running concerns which have growth potentials. The growing concerns have to take decisions about location of their new plants and sometimes, they are also faced with the problem of shifting the entire operations to a new place because of limitations of existing location and accommodation. So to establish an industry you have to look to several economic factors which led to growth.

1.2 Physical factors

It is important to see that both natural and physical factors are part of physical environment. Any successful business should consider both in its planning processes which include:

1.2.1 Topography

Geographical location plays an important role in access to markets. Good establishments are located around trade routes which are mostly maritime. It is seen that many world's poorest countries are severely hindered as they are landlocked which are located either on high mountain ranges or lack in navigations such as rivers or harbours.

For prosperity of business growth, topography is important. As goods can be transported or bought inside through maritime services. If you have no access to the coast, you not only have less service on ports but you have more stress on land services.

1.2.2 Climate

Climate plays an important economic factor in increasing economy. It's no coincidence that poorest countries are in tropics, where it is hot, land is less fertile, water is scarcer, where diseases flourish. It is seen that countries like Europe and North America makes huge profit from tracts of fertile land having temperate climate and good rainfall. Having an extremes climate, either hot or cold, too much energy goes into simple business of survival for there to be much leftover energy for development.

1.2.3 Minerals

It is seen that every country dealt with natural resources. It takes infrastructure to capitalise on these, but some places have distinct advantage over others. Minerals serve as important part of economy. Nobody has any doubt about how Saudi Arabia or UAE make their money. Among other advantages, gold and diamonds have helped South Africa build the most successful economy on the continent. These are all non-renewable resources – once they're gone, they're gone, but while stocks last there is wealth to be made. Finally, the flow of economic conditions depends more on resource flow. Such resources are renewable which requires no management, wind, tide and solar resources.

1.2.4 Water resources

Competition for water has widely increased, and it has become more difficult to conciliate the necessities for water supply for human consumption, food production, ecosystems and other uses. Water administration is frequently involved in contradictory and complex problems. Approximately 10% of the worldwide annual runoff is used for human necessities. Several areas of the world are flooded, while others have such low precipitations that human life is almost impossible. As population and development increase, raising water demand, the possibility of problems inside a certain country or region increases, as it happens with others outside the region.

Over the past 25 years, politicians, academics and journalists have frequently predicted that disputes over water would be a source of future wars. The water wars hypothesis had its roots in earlier research carried out on a small number of Trans boundary Rivers such as the Indus, Jordan and Nile.

These particular rivers became the focus because they had experienced water-related disputes. Specific events cited as evidence include Israel's bombing of Syria's attempts to divert the Jordan's headwaters, and military threats by Egypt against any country building dams in the upstream waters of the Nile. However, while some links made between conflict and water was valid, they did not necessarily represent the norm.

Check your progress 1

1. Which among the following is a physical factor?
 - a. climate
 - b. infrastructure
 - c. technology
 - d. tradition
 - e. Air transportation is cheaper.
 - f. Ports are costly to operate.
2. Why land locked countries have problems in the growth?
 - a. Other countries are not supporting.
 - b. Sea transportation is not possible.

1.3 Cultural factors

Culture changes the very definition of "business". Although cross-cultural companies who do business together usually have similar goals, the path toward achieving those goals can be wildly different.

1.3.1 Infrastructure

The performance of South Africa's logistics industry is very dependent on its transport infrastructure; logistics service provision, cross-border trade facilitation and telecommunications system. Transport infrastructure, arguably the most important component of these, is a critical ingredient for economic growth, development and wealth creation. Transport infrastructure investments are key determinants of performance in the transport sector?. In this

NATURAL ENVIRONMENT RESOURCES AND ENVIRONMENTAL ISSUE

study the survey indicated that 78% of the respondents felt that infrastructure quality in South Africa is an important factor constraining them. 72% saw the lack of private sector engagement with government; 70% the road versus rail options; and 68% infrastructure in Southern Africa, as constraints. It was the view of the focus group that in some instances South Africa has a good infrastructure e.g. world class ports and harbors, however the operation thereof is poor.

In a sense Transnet Freight Rail has a fairly good infrastructure, however it has not been adequately extended and therefore there are many capacity problems. Consequently, road transport has increased with a negative influence on the quality of the roads, which have not been maintained adequately to keep up with the level of usage. The government mostly provide transport infrastructure and the group felt that there is a general lack of accountability within government institutions and inadequate action plans for engagement with the private sector.

Government should allow the private sector to participate more in the provision of infrastructure, particularly rail. There is a general misalignment between infrastructure provided and the demand for it. Many organizations have a need for rail transport, particularly for their bulk transport requirements. There is also a misalignment in infrastructure between South Africa and other South African countries. South Africa, in comparison with other African countries has a well-developed infrastructure, but when trade is extended to the neighboring and other African countries infrastructure becomes a problem, to the detriment of trade and economic development of the region.

1.3.2 Technology

Technological factors affecting businesses all over the world demands a changing behaviour with regard to traditional marketing. The rapid development of technology requires quick reaction by businesses in order to survive in an emerging competitive environment and keep up with new trends and innovative services which other competitors might be offering. These technological factors can include both products and processes and can present opportunities and threats but it is vital for competitive advantage and is a successful driver in globalization. Products can be marketed in new ways and processes present immense Value to the business.

Technological factors affecting businesses and their environment:

- **Organisational change** – is usually quite difficult especially when a high number of people are involved as routines will be modified. It is recommended to inform employees in advance and keep them up to date encouraging feedback when making such change.
- **Business processes** – integrating modern technology solicits identifying the business requirements and evaluating the business processes according to its objectives and goals. These changes should benefit the company and the consumers.

- **SCA (Sustainable Competitive Advantage)** – looking at technology from a positive perspective instead of an evil. Traditional models are changing and advantages can be achieved by investing in modern technology to have technology for sake of having no implementing strategic plan.
- **Costs involved** – a necessary expense in today’s emerging environment. However, it’s understandable that some organisations are uncertain to invest due to systems being outdated quite often, but the ones who view this investment as an opportunity to gain competitive advantage and have a well- developed strategy attached, could benefit immensely.
- **Efficiency** – productivity, reducing manual labor costs, cost-effective overall factor as it can simplify, speed up and enhance accuracy.
- **Information Security/Contingency Planning** – Technology provides a lot of advantages but we should also take into consideration the responsibilities that come with it. Businesses should take into account the rise in data breaching and various cyber-crime elements and must invest in effective ways of preventing or combating these factors. Imagine if an important process becomes unavailable suddenly or a system is hacked. Businesses must have these contingency plans in place in order to protect their valuable assets.

1.3.3 Tradition

Various countries interact in business-related activities on a daily basis. However, these countries have different cultures. These differences in culture prove to be obstacles in business communication. Factors such as language, gestures, holidays and dress codes play a major role in business communication. It is important to understand various cultures when participating in business-related activities. Knowledge of cultural factors eliminates the common mistakes and misunderstandings associated with business communication between cultures.

1.3.4 Political Set-up

Political factors, in the context of the external environment in which a business functions, are a type of external constraint acting upon a business. They’re related to actions of governments and political conditions in the location where the business conducts business or seeks to conduct business.

The first thing to recognize is that political factors constitute an external constraint on a business, which just means that the political factors that affect a business that completely out of company’s control.

The second thing to recognize is the type of external constraint is political in nature rather than economic, even though the political can certainly affect the economic and vice versa. The most prevalent political factors relate to government activity and administrative practices of government.

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1.3.5 Social Set-up

Social changes may have a major impact on business:

The number of older people in the UK is rising. There are more people with bus passes in this country than ever before. The passes mean that users travel free, as the local authority pays first for providing the service. Many elderly people prefer to travel by bus because it is convenient and safe.

Society's habits and tastes are changing. People are more aware of the importance of the environment and becoming 'green consumers'. Green consumers prefer goods and services that are 'environmentally-friendly' and which have less impact on the environment. The green consumer, for example, prefers to travel by bus or train than by air or in a large car.

Statistics produced by the Department for Transport in 2007 pick out some of the major trends. These statistics show a positive picture for First. The market is growing and more people are realising the benefits of a more environmentally- friendly form of transport.

1.3.6 Educational Set-up

Businesses are continually developing new technologies to provide the best solutions for the market place. Intelligent companies find out what the most appropriate technologies are for their businesses and use them. This is particularly true in transport.

Global trade, access to capital and information and the rapid expansion of the basis of educated people will all have a positive effect on economic and social growth. Many nations will begin to play a constructive role in the international community. Most will, however, need substantial injections of capital and managerial talent, intellectual property and other assistance if they are doing so rapidly. The growth in expectations, bred by the popular media and the impact of population growth, will demand that this progress is rapid.

Check your progress 2

1. In case of social setup, the green consumer travels by:
 - a. Bus and train.
 - b. Motor vehicle.
 - c. Air.
 - d. All of above.
2. Many organizations have a need for rail transport, particularly for:
 - a. Small transport.
 - b. Dangerous transportation.
 - c. Bulk transportation.
 - d. All of above.
3. Political factors are _____ and _____ of company.
 - a. External - in the control.
 - b. Internal – out of the control.
 - c. External – out of the control.
 - d. Internal – in the control.

1.4 Let Us Sum Up

In this unit we have learnt that geographical location plays an important role in access to markets where good establishments trades. It is studied that climate plays an important economic factor in increasing economy while competition for water has widely increased and become more difficult to concili-

ate necessities for water supply for human consumption, food production, ecosystems and other uses.

It is found that culture changes the definition of business as cross-cultural companies doing business usually have similar goals having a path toward achieving those goals. It is found that technology provides a lot of advantages into consideration that come with business's rise in data breaching and cyber-crime elements that invest in effective ways of preventing or combating these factors. It is seen that business are continually developing new technologies to provide best solutions for market place. Intelligent companies find appropriate technologies for businesses.

1.5 Answers for Check Your Progress

Check your progress 1

Answers: (1-a), (2-b)

Check your progress 2

Answers: (1-a), (2-c), (3-c)

1.6 Glossary

Economic Development - The process of improving the quality of human lives through raising living standards.

1. **Economic Efficiency** - A situation in which no one in a society can be made better off without making someone else worse off.
2. **Economic Growth** - An increase in real output as measured by real GDP or per capita real GDP.

1.7 Assignment

Explain cultural factors in detail.

1.8 Activities

Discuss technological factors affecting businesses and their environment.

1.9 Case Study

Comment on Global trade as factor affecting business.

1.10 Further Readings

1. Khandwalla, P N (1988). "What Can Financial Institutions Do to Prevent Corporate Sickness?" *Vikalpa*, Vol 13, No 2, April-June, 11-23.
2. Kharbanda, O P and Stallworthy, E A (1985). *Corporate Failure: Prediction, Panacea and Prevention*. London: McGraw-Hill.
3. Ojha, P D (1987). "Finance for the Cotton Textile Industry: Problems and Prospects," *RBI Bulletin*, May.



: UNIT STRUCTURE :

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Renewable and Non-renewable Resources**
- 2.3 Limitations of Non-renewable Resources**
- 2.4 Need of Renewable Resources**
- 2.5 Strategy for Conservation of Natural Resources**
- 2.6 Let Us Sum Up**
- 2.7 Answers for Check Your Progress**
- 2.8 Glossary**
- 2.9 Assignment**
- 2.10 Activities**
- 2.11 Case Study**
- 2.12 Further Readings**

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Renewable and Non-renewable resources.
- The limitations of non-renewable resources.
- The need of renewable resources.
- The strategy for conservation of natural resources.

2.1 Introduction

Sustainability refers to the ability of keeping certain status or process in existing systems. It is linked with biological or human systems in respect to ecology. It is seen that an ability of an ecosystem to function and maintain productivity for long-lasting period refers to sustainability.

Living a sustainable lifestyle is another way to help. Natural resources comprises of land and several raw materials which can be found occurring as natural substances. The value of such deposits depends on amount of extraction present. It shows that if even valuable resources exist in quantities as compared to small in order to extract profitably or in form where extraction exceeds difficult then the value is lessened as a result of consequence.

Also, if amount of available material for extraction and ease of such extraction creates exploitation which could be commercial viable then, value of land will increases. As noted, the situation where natural resources or natural capital is being used faster than replenishment result will lead to occurrence of unsustainable situation.

2.2 Renewable and Non-renewable resources

Renewable resources

These are the resources that get filled by environment over short periods of time. Such type of resources are advisable to use as often it renews so fast that it will regenerate by the time you will be able to use it.

It is found that solar energy is renewable resource as sun shines every time which will bind together all energy before it goes out. Wind energy is also another type of renewable resource as you cannot stop wind from blowing further. Further we see that plants that grow for use in food and manufactured products are also renewable resources. It is visualised that trees used for timber, cotton used for clothes and food crops like corn and wheat all be replanted and regrown after collection of harvest.

It is seen that animals are also part of renewable resource as plants; you can breed them to make more. Livestock such as cows, pigs and chickens also comes under this category.

It is noted that water is also many times considered as renewable resource as you cannot really use up water. Liquid water used to produce hydroelectric power, which receives from water flowing through dams.

Biofuels are part of renewable resources as fuels are made from living organisms as Ethanol being a biofuel is derived from corn.

Non-renewable

A non-renewable resource is such type of natural resource which is mainly used faster than it can be made by nature. Such type of resources cannot be produced, grown or generated on scale which can sustain quickly as it consumed. Once it is used up, there is no more available for future needs. It is found that non-renewable are resources which consumes much faster than nature can create them. The examples are:

- Fossil fuels (coal, petroleum, and natural gas)
- Nuclear power (uranium)
- Aquifers

But is seen that resources like timber or metals are considered renewable resources.

Check your progress 1

1. Which among the following is a non-renewable resource?
 - a. Petroleum
 - b. Water
 - c. Wind energy
 - d. Livestock

2.3 Limitations of non-renewable resources

Non-renewable resources are such resources which cannot be renewed.

There are certain disadvantages:

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- Cannot be renewed and are fast depleting
- Leave harmful by-products upon combustion by creating pollution
- Mining will lead to irreversible damage to adjoining environment
- The fossil fuel pollutes the environment
- They gets eventually run out
- Cannot be recycled
- On burning produces carbon dioxide which lead to global warming.

There are certain factors which lead to limitations of non-renewable resources such as:

Environmental Consequences

The main disadvantages of non-renewable energy resources are that they have negative effect on environment when mined, processed and consumed. As seen, the coal processing plants filter toxic metals into ground water and produces additional waste, while gasoline when burned in combustion engines releases carbon dioxide and several related pollutants which lead to global climate change. Natural gas, methane which is 20 times more effective at trapping heat as compared to carbon dioxide makes more problematic as greenhouse gas.

Health Risks

Apart from environmental factors, the disadvantages of non-renewable energy resources will include problems related to human health. As seen, uranium, which is used in nuclear power plants, causes birth disorder and abnormal heart, liver, and kidney functions on exposure which lead to cancers and immune system malfunctions.

Supply and Demand

With the appearance of limited unsustainable energy reserves, non-renewable resources are becoming more and more expensive. As seen, the gas prices as of today will keep on rising in prices as oil becomes rare and limited availability of gasoline resource.

Running Out

Normally it is analysed that all non-renewable energy resources gets depleted which lead to failure of technologies as a result of out-dated. So for this, we have to make use of other forms of energy production such as wind, solar and geothermal power sources.

Check your progress 2

1. Which among the following is not a limitation of non-renewable sources?
 - a. It lead to no depletion
 - b. Leave harmful by-products on combustion
 - c. Fossil fuel pollutes environment
 - d. Cannot be recycled

2.4 Need of renewable resources

It is seen that when a person wants electricity they he/she needs to buy it from someone else. The average person will have access to buy coal mining equipment or coal-fired power plants to make their own electricity. So, renewable energy systems on the whole, serves as an important step for keeping national and international infrastructures intact in order to have its important to understand the scalability of renewable energy solutions. A person who can't afford their own coal-powered power plant will normally capable of purchasing a home solar array or small wind turbine. Having their own equipment of generating electricity will allow such person not to depend on fluctuating prices or shortages from outside energy producers. It is further analysed that renewable can often be gathered cleanly and safely in local or regional communities as of much availability of inputs as national manufacturing and energy rates will not now depend on prices as set by unstable foreign markets.

On considering employment, use of renewable energy becomes more attractive as national energy demand will meet by renewable resources which further will led to increase in employment in energy sector by creating new jobs. So it is visualised that there exists lots of good reasons to move toward the use of renewable energy which can be both now and in future. However, most powerful among such arguments exists simply at certain point. Finally, it is concluded that renewable energy is reliable and plentiful and will potentially be cheaper once technology and infrastructure improve. It includes solar, wind, geothermal, hydropower and tidal energy along with biofuels which are grown and harvested without fossil fuels. Non-renewable energy like coal and petroleum, require cost explorations and are logically dangerous as it involves mining and drilling as it is more expensive as supplies decrease with more increase in demand. Renewable energy produces only minute levels of carbon emissions and hence helps fight against climate change that was caused by fossil fuel usage.

Check your progress 3

1. The need of renewable source of energy results from:
 - a. increasing demand from people
 - b. access production of fuels
 - c. access growth of fossils
 - d. all of above

2.5 Strategy for conservation of natural resources

Conservation which is similar to development is for a person which aims to achieve human goals mainly by use of biosphere. It aims to achieve them by ensuring particular use. Conservation's concern for maintenance and sustainability is a rational response to the nature of living resources and also an ethical imperative, expressed in the belief that we have not inherited the

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earth from our parents, but is borrowed from children.

Conservation of natural resources usually embraced in broader conception of conserving the earth itself by protecting its capacity for self-renewal. Particularly complex are the problems of non-renewable resources such as oil and coal and other minerals in great demand. Current thinking also favours the protection of entire ecological regions by creation of biosphere reserves.

Natural resources are an important material basis for a stable national economy and social development. They can be divided into two categories:

- **Exhaustible:** which includes minerals
- **Inexhaustible:** which includes forests and grasslands

With industrialization and urbanization, mankind's great demand for natural resources and their large scale exploitation and consumption has resulted in the weakening, deterioration and exhaustion of these resources. One difficult task faced by all countries is to guarantee the lasting utilization of natural resources at the lowest possible environmental cost while still assuring economic and social development.

The immediate purpose is to bring about three sorts of legislation: that which controls national resources, that which controls state resources, and that which directs the development of resources privately controlled. In this the cooperation of the states is not only desirable, it is absolutely essential. The federal authorities may enact laws for the maintenance and development of the public domain, both in land and in water; they may enter into partnerships, and do so enter, for the improvement of navigation and power in navigable streams and for carrying on irrigation; they may acquire land and establish reservoirs where such reservoirs can be shown to be necessary for the purpose of maintaining navigation; they may shape the methods of taking fuel from the public land by inserting their requirements in the lease or deed under which the land is partially alienated. In addition, they may carry on a campaign of education aimed to persuade individuals to adopt rational methods. But a state can go much farther. It may drain local swamps. It may create reservoirs on small and insignificant streams, for the purpose of providing a town water supply, of improving water-power, or for any reason whatever. It may enter into partnership, with its citizens and cooperate with them in forest development, in guarding against fires, in the erection of dams, in the management of mines, in any way it may choose. It may exercise its police power to provide that those who own private forests must police them, must cut fire-breaks, must burn their slashing, and may not cut to exceed the increment in any year. It may encourage tree planting by direct legislation and by passing taxes on wooded lands. It may by law put land in escrow during the carrying out of large improvements; and it may even direct the economy of fuel at the furnace.

Check your progress 4

1. Which among the following is an exhaustible resource?
 - a. minerals
 - b. grasslands
 - c. forests
 - d. all of above
2. _____ natural gas can generate more greenhouse effect, its more capable to catch heat.
 - a. CO₂
 - b. methane
 - c. O₂
 - d. all of above

2.6 Let Us Sum Up

In this unit we have learnt that renewable resources are resources which fill by environment in short periods of time while non-renewable resource is such type of natural resource which is mainly used faster than it can be made by nature. It is found that the main disadvantages of non-renewable energy resources are that they have negative effect on environment when mined, processed and consumed. Further, we see that renewable energy is reliable and plentiful and will potentially cheaper once technology and infrastructure improve as solar, wind, geothermal, hydropower and tidal energy along with biofuels which are grown and harvested without fossil fuels. So we noted that conservation of natural resources are usually embraced in conception of conserving earth by protecting its capacity for self-renewal in complex problems of non-renewable resources.

2.7 Check Your Progress

Check your progress 1

Answers: (1-a)

Check your progress 2

Answers: (1-a)

Check your progress 3

Answers: (1-a)

Check your progress 4

Answers: (1-a), (2-a)

2.8 Glossary

1. **Biodiesel** - A diesel fuel made from natural oils like rapeseed oil which mixed with normal diesel fuel before use in cars.
2. **Biomass** - It is an organic matter as crops and manure that on burns creates renewable energy.
3. **Climate change** - It is a change in Earth's climate as the pollution created by humans particularly carbon dioxide produced on burning fossil fuels.
4. **Geothermal energy** - Energy uses heat from inside of Earth's core to produce electricity or heat water or homes.

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5. **Hydroelectricity** - A renewable energy which comes from using power of water as rivers and the sea.
6. **Nuclear energy** - Energy which generates electricity from breakdown of radioactive materials called as nuclear fuels.

2.9 Assignment

- 1) Make small note on use of renewable and nonrenewable resources in the world.

2.10 Activities

Compare renewable and non-renewable resources with examples.

2.11 Case Study

Discuss on natural resource conservation.

2.12 Further Readings

1. Narayana, V.V and Rambabu, 1982, „Estimation of soil erosion in India?. Journal of irrigation and drainage engineering.
2. Sarin, Madhu and Renu Khanna, 1991, Wasteland development by a women?s group: a case study. New Delhi: ILO.
3. Sharma J.P. and B.P. Sinha, 1993, „Traditional wisdom of hill farmers of Uttarkashi?. National Seminar on Indigenous Technology for Sustainable Agriculture.



ENVIRONMENTAL ISSUE RELATED TO BUSINESS

: UNIT STRUCTURE :

- 3.0 Learning Objectives
- 3.1 Introduction
- 3.2 Global Warming and Kyoto Protocol
- 3.3 Oil Crisis and its Impact on Business
- 3.4 Problems Related to Water Resources Management
- 3.5 Industries and Pollution – Air, Water, Noise
- 3.6 Let Us Sum Up
- 3.7 Answers for Check Your Progress
- 3.8 Glossary
- 3.9 Assignment
- 3.10 Activities
- 3.11 Case Study
- 3.12 Further Readings

3.0 Learning Objectives

After learning this unit, you will be able to understand:

- The Concept of Global warming.
- The Concept of Kyoto Protocol.
- The Concept of Oil Crisis and its impact.
- The Concept problems related to water resources.

3.1 Introduction

There are certain environmental issues which affects the business which will include:

- industrial waste
- sustainable development of raw materials
- Water and air emissions.

Such type of issues will affect the business as these laws require businesses to change equipment and procedures so as to meet the imposed standards which involve much money in business.

Waste

Businesses that manufacture products create, at some point in the manufacturing process, manufacturing waste. Environmental laws and good environmental citizenship prohibit the indiscriminate dumping of manufacturing by-product, so businesses must decide how best to dispense with it. Many implement recycling programs; others sell what they can of the waste to other

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manufacturers who use it in their own manufacturing processes as raw material.

Sustainable Development of Raw Materials

All manufacturers use raw materials to put together their goods. When these raw materials are natural, such as wood, laws and good environmental citizenship require that the business take measures to replace what it uses. Christmas tree farms are a prime example, as sellers buy from growers who harvest and replant in order to keep from depleting entire forests of naturally occurring pine trees.

Emissions

Manufacturing processes often generate air and/or water emissions, which include particle or chemical-filled smoke, ash and particles and chemicals that seep into ground water through run-off. Environmental protection laws require businesses to protect the environment from exposure to these emissions. Remedial process include placing screens of specified gauges over smoke stacks, filtration of waste water and lining of retention ponds with clay and poly liners. New regulations are implemented frequently that require retrofitting of manufacturing facilities with increased protections, such as screens of even finer gauges and pond liners of newer and safer materials. All of these measures are costly to business and affect businesses first by decreasing profit margins.

3.2 Global warming and Kyoto Protocol

Global Warming

Greenhouse Gases results as an outline gases which absorbs infrared radiation in the atmosphere. It is found that certain levels of greenhouse gases are Natural Resources and Environmental Issue required to maintain life. Among all, the greenhouse gases include carbon dioxide, methane, nitrous oxide and sulphides.

With interference of humans, such gases increase into atmosphere with the result of fossil fuel emissions. Moreover, CO₂ is not only aggressive GHGs, the large amount of it in our atmosphere causes global surface temperatures to rise. It is found that CO₂ carries 80% of global warming. Fig 2.1 shows the trend of CO₂ concentration in past 1000

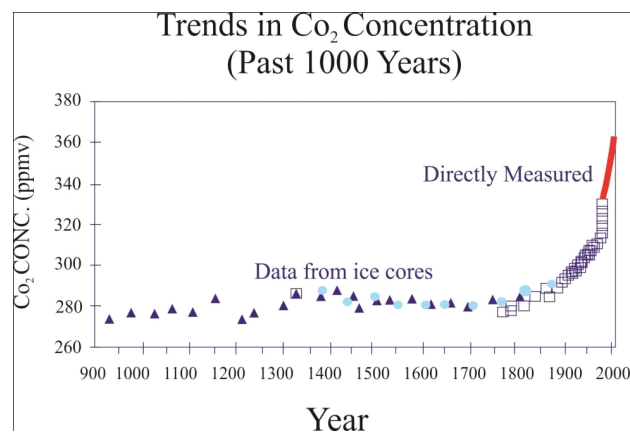


Fig 2.1 Trends in CO₂ concentration

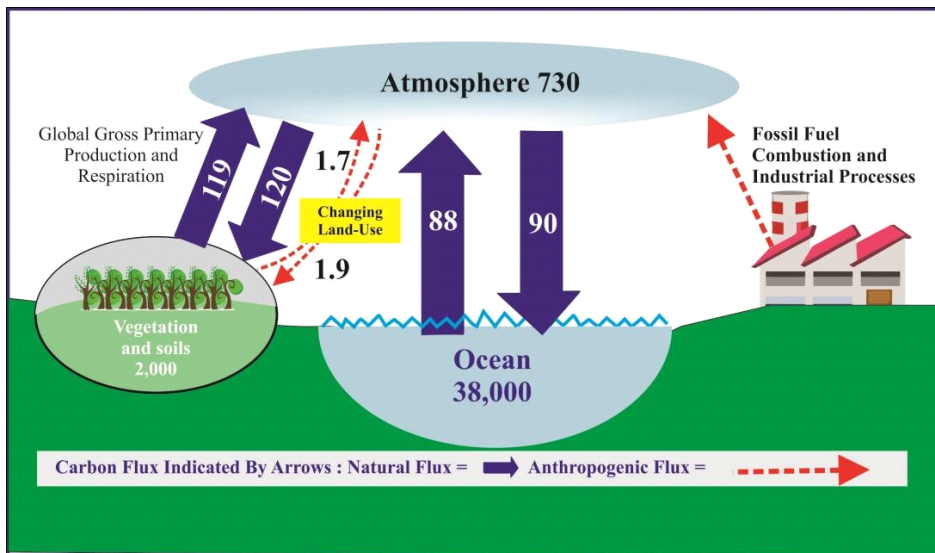


Fig 2.2 Climate change

Kyoto Protocol: Emission Regulations

Kyoto Protocol is the first internationally binding treaty which was made to reduce emissions of greenhouse gases which was signed by 150 nations in Kyoto, Japan in December 1997 in which, lower emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride will result in 5% low 1990 to 2008–2012. Its idea is:

Options to reduce emissions include:

- Improved technologies
- Nation-created sinks
- Tradable Permits for Emissions Unfortunately, these have some down sides:
- Sometimes it is less expensive to buy permits than decrease emissions
- There are no credits for conservation, even though existing forests contain 40% of terrestrial carbon.

The problem with protocol is that:

Currently, 166 countries have ratified the protocol but:

- US initially did joined kyoto protocol but opted out in 2001 citing unnecessary manufacturing advantages to the developing countries, indirectly for China which is now no 1 green house emitter country.
- Developing nations, such as China and India are not required to reduce or limit their emissions under the Kyoto Protocol. The United States has not ratified the Protocol because the Bush Administration believed it gave developing countries a manufacturing advantage that would hurt the U.S. economy.

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Country	2018 CO2 Emissions in Billion Metric Tons	Global Share	Change Since Kyoto Protocol
China	9.43	27.8%	54.6%
U.S.	5.15	15.2%	-12.1%
India	2.48	7.3%	105.8%
Russia	1.55	4.6%	5.7%
Japan	1.15	3.4%	-10.1%
Germany	0.73	2.1%	-11.7%
South Korea	0.70	2.1%	34.1%
Iran	0.66	1.9%	57.7%
Saudi Arabia	0.57	1.7%	59.9%
Canada	0.55	1.6%	1.6%

Fig 2.3 TOP CO2 emitter countries

In this protocol:

- The disproof to United States shows developing countries have no financial resources that support changes to lower emissions.
- The per capita have low emissions that are not correct to judge nationally.

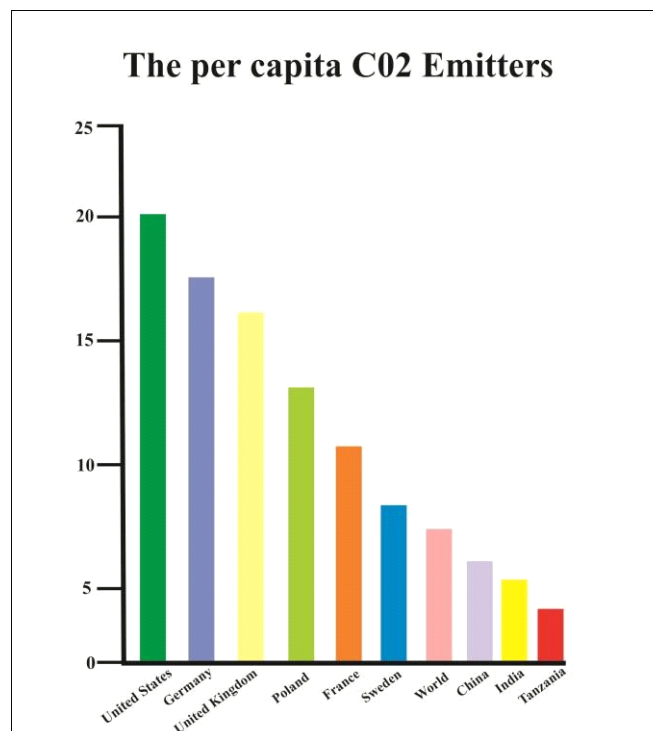
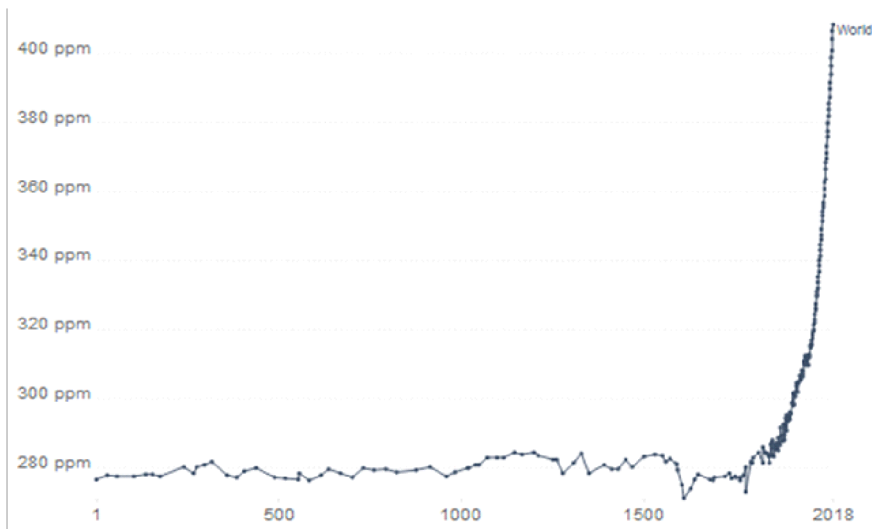


Fig 2.4 per capita CO₂ emitter

It is seen that the world level of emission is reached to 400 ppm as shown in fig 2.5.

GLOBAL CO₂ atmospheric concentration

Global mean annual concentration of carbon dioxide (CO₂) measured in parts per million (ppm).



Source NOAA/ESRL(2018)

OurWorldinData.org/co2-and-other-greenhouse-gas-emission/.CCBY

Fig 2.5 World emissions

In this protocol, it is seen that:

- Even though rules were changed for Kyoto Protocol, the results would show minimum difference.
- The difference between current levels of United States, EU, China and India with ten percent reduction level exists from 1990 levels.

Such type of models will reflect 2002 levels which have already reached. Under the Kyoto Protocol, future emissions reduce by lowering carbon dioxide emissions and increasing sinks. Hence world projection of 2020 with current levels of CO₂ is shown in fig 2.6.

Projected Global CO₂ Emission from Fossil Fuels in 2020

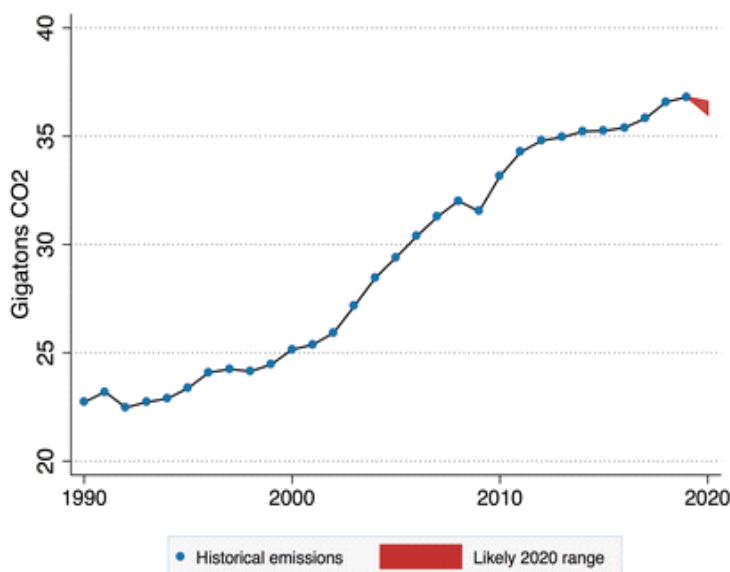


Fig 2.6 projection of CO₂ emission (2020)

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It is visualised that:

- As, Kyoto Protocol was strictly done for every nation to lower emissions by 10%, which includes developed and developing nations.
- Also, action be taken to lower emission limits and more carbon sinks in order to have significant impact on slow increase of atmospheric CO₂ emissions.

Check your progress 1

1. Which among the following is not a greenhouse gas?
 - a. carbon monoxide
 - b. carbon dioxide
 - c. methane
 - d. nitrous oxide

3.3 Oil Crisis and its impact on business

Some observers believe that high dependence of most modern industrial transport, agricultural and industrial systems on relative low cost and high availability of oil causes oil production to decline and results in severe increases in price of oil that will have negative implications on global economy. Predictions vary greatly as to what exactly such negative effects result.

It is analysed that when political and economic changes occur in reaction to high prices and shortages instead of reaction to threat, then degree of economic damage to importing countries will mainly depend on rapid oil imports decline. The oil exports drop more quickly as compared to production drops which results from domestic consumption in exporting countries. With this, the shortfalls of supply will cause extreme price inflation, unless demand is easy with planned conservation measures.

With the hope, estimations of production forecast global decline by 2020 or later, and assume major investments in alternatives which occurs before oil crisis begins, without requiring major changes in lifestyle of oil-consuming nations. Such models show price of oil at escalating and retreating fuel and energy sources.

Negative predictions of future oil production occurs on analysis that either the peak has occurred or global system is on verge of peak which occurs shortly as proactive mitigation no longer be option which is predictable to global depression, perhaps even initiating chain reaction of various feedback mechanisms in global market that might encourage fall down of global industrial civilization, potentially leading to large population declines within a short period.

In case of imbalance exists among demand and supply there occurs two parameters:

- Letting price take care due to imbalance
- Imposing restraints on supply or demand

If there is not enough supply, the consuming countries can restrain demand

by imposing price controls, and if there is not enough demand, producers can cut production. The latter is what the oil producers did over the last one year.

During early stages of history, oil industry attempts to manage supply which was not met with success as they stuck too long to crude price which failed to bring long-term equilibrium in supply and demand. It was analysed that supply management system administered by oil majors during first 12 years of OPEC's existence, when prices kept under \$2 per barrel. This in fact was responsible for the first oil shock of 1973 as demand soared and supply did not keep up, though the Arab governments also added a political hue to their attempt to wrest control of their oil industries from the majors. The second was the supply management system administered mostly by Saudi Arabia in OPEC during 1982-85. The kingdom single-handedly maintained an official selling price of \$28 per barrel despite shrinking demand and the emergence of new sources of supplies worldwide. This inevitably led to the price of oil crashing in 1985-86.²

After the end of World War II, a phenomenal increase in demand for oil and consequently production of crude oil in Middle East increases large revenues to producing countries. It highlights not only importance of oil, but also emphasised dependence of economies on oil revenues. Along with this realisation came the resentment of the lack of control these producing countries had on their oil industries, and when the oil majors unilaterally refused to increase oil prices in 1959 and again in 1960, first the oil producers succeeded in creating OPEC, which provided them the opportunity to wrest more power from the oil majors over pricing and production and then, over time, nationalising their oil industries.

During the crisis, India, along with other developing countries enjoyed friendly relations with Arab states with an intension to achieve favourable treatment. However, OPEC expressed its inability to adopt dual pricing system. In 1973 India's oil import bill was to the tune of around \$414 million, and it was projected to go up to around \$1,350 million in 1974 because of the price hike. This was around 40 per cent of its potential export earnings, and twice the amount of its existing foreign exchange reserves. The other South Asian oil importing states like Pakistan and Sri Lanka were similarly affected.

It is a fact that high prices encourage exploration and development, even in high-cost areas, evidence of which can be seen in the current restoration of interest in the Caspian region and offshore West Africa. At the same time, this diversification of oil sources acts as an insurance policy against supply disruptions. Also, the growing role of natural gas in the overall energy mix provides a further buffer. Information technology has also allowed the industry to search for oil and even make a profit at \$15 per barrel, which is about half the threshold price for exploration activities just a decade ago.

Check your progress 2

1. Oil crisis begins due to lack of:
 - a. reserves
 - b. price
 - c. excess use
 - d. access production

3.4 Problems related to water resources management

The presence and access to freshwater is an important determinant of patterns of economic growth and social development. Water is an important resource for sustaining economic development in all sectors. Freshwater is a necessary input for:

- industry and mining
- hydropower generation
- tourism
- subsistence and commercial agriculture
- fisheries and livestock production

Such activities are central to livelihoods and human interest as they provide employment and contribute to national economies through, among other things, export earnings. Water is not only an economic good but also a social good. Safe water supply and appropriate sanitation are the most essential components for a healthy and prosperous life. The provision of safe drinking water and adequate sanitation facilities, to the rural and rapidly expanding urban populations, can reduce mortality rates related to water-borne and water-related diseases, such as cholera, diarrhoea and malaria.

It is found that there are not enough water planning as lack of water awareness and non-implementation of desired measures which creates difficult-to-manage situation. With this, there results in freshwater scarcity which already evident in many parts of India that varies in scale and intensity at different times of year. Such situation results in natural factors and human actions. Widespread pollution of surface water and groundwater is degrading the quality of freshwater resources.

Cause:

The root cause of water related problems in India arises as:

- **Uneven Distribution of Water Availability**

The availability of water in India carries large variations both in spatial and temporal. Growing water scarcity in India gauged from fact that available water per capita per year has decreased from 6008m³ in 1947 to 2384m³ in 2000.

- **Water Pollution**

Water pollution results in serious dimensions in India with almost 70% of surface water resources and proportion of groundwater reserves are contaminated by biological, toxic organic and inorganic pollutants. Water pollution varies in severity from one region to other depending on density of urban development, agricultural and industrial practices, and the systems for collecting and treating wastewater. Most of the polluted stretches exist in and around large urban areas.

- **Excessive Groundwater Exploitation**

It is found that large-scale extraction of groundwater lead to overdraft and a drastic fall in water table in some basins. It creates a disordered

situation in water scarce hard-rock regions of southern India, where assured sources of surface irrigation are rare and rainfall is non-uniform. However, in Punjab, Rajasthan and Tamil Nadu, large areas fall under dark category.

- **Threat to Biodiversity and Wetlands**

About 6.5% and 12.5% of the world's animal and plant species, respectively, can be found in India. Out of these almost 7,000 are endemic to the subcontinent. Unfortunately, habitat destruction in both freshwater and coastal areas has endangered many endemic species. Most vulnerable are the freshwater fish since they are more susceptible to water pollution and environmental change.

Check your progress 3

1. Which among the following is not a root cause of water problems in India?
 - a. air pollution
 - b. water pollution
 - c. groundwater exploitation
 - d. all of above

3.5 Industries and Pollution – Air, Water, Noise

Industry results in mixture of companies which operates in related set of goods or services that are eventually sold to purchasers. In any country, various industries work together to generate necessary goods and services required for people. It is found that industries are divided as:

- **Primary industries:** It uses collection, utilizing and harvesting of resources which are directly produced by physical processes.
- **Secondary industries:** It manufactures raw materials which are converted into various ways and results in tangible goods.
- **Tertiary industries:** It generates services for individuals and groups.

The above three industrial groups are distinctive regarding amount of pollution produced in their operations. It is seen that in certain sectors like tourism, it relates to close relationship with environment, whereas others adopted proactive environmental response like automobile industry involving recycling of old cars which have impact on environment. As seen, the large impact from pollution is produced in secondary industries.

It is found that pollution initially became persistent problem at the time of Industrial Revolution. With invention of factory system, substitution of hand labour by machine labour, application of power to industrial processes, and use of railroad will help to accelerate pollution problem.

It is analysed that large polluters comes from chemical, pesticide, oil refining, petrochemical, metal smelting, iron and steel, and food processing industries. It is predicted that all major users of energy produces large amounts of waste products and pollution. Apart from these, there are industries having less potential impact but are highly problematic to pollution like textile, leather, paint, plastics, pharmaceutical, paper and pulp industries.

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So pollution is addition to ecosystem of something which determines effect on it. The important causes of pollution results in high rate of energy usage by modern and growing population. There are different kinds of pollution such as:

- Air Pollution.
- Water Pollution

Air Pollution

Air pollution is present in atmosphere that carries substances in ample concentrations which put in danger to human health and effects living matter and other materials. The main sources of air pollution are:

- power and heat generation
- burning of solid wastes
- industrial processes
- transportation

It is found that there are six major types of air pollutants such as:

- carbon monoxide
- hydrocarbons
- nitrogen oxides
- particulates
- sulfur dioxide
- photochemical oxidants

Water Pollution

Water pollution results in fresh water of chemical, physical, or biological material which degrades quality of water and affects living organisms. This results from dissolving or suspending solids to discharge of insidious and persistent toxic pollutants which can be pesticides, heavy metals, non-degradable, bio- accumulative and chemical compounds.

Check your progress 4

1. Advertising is an example of:
 - a. Primary industries
 - b. Secondary industries
 - c. oxygen
 - d. nitrogen oxides
2. Which among the following is not an air pollutant?
 - a. carbon monoxide
 - b. hydrocarbons
 - c. Tertiary industries
 - d. None of above

3.6 Let Us Sum Up

In this unit, we have learnt that there are certain issues which affect the business as laws where businesses changes equipment and procedures so as to meet the imposed standards which involves much money in business. It is seen that Greenhouse Gases are trace gases which absorb infrared radiation

in atmosphere and are required to sustain life which include carbon dioxide, methane, nitrous oxide and sulphides.

The Kyoto Protocol is first internationally binding treaty which is based on lowering emissions of greenhouse gases as signed by 150 nations in Kyoto, Japan around December 1997 resulting in lower worldwide emissions of carbon dioxide, methane, nitrous oxide. In view of certain observers, it was believed that high dependence of most modern industrial transport, agricultural and industrial systems on relative low cost and high availability of oil causes post-peak production decline.

It is noted that pollution initially became persistent problem during Industrial Revolution with invent of factory system and application of power processes with use of railroad. It is of several types as water pollution, air pollution, land pollution, noise pollution etc.

3.7 Answer for Check Your Progress

Check your progress 1

Answers: (1-a)

Check your progress 2

Answers: (1-c)

Check your progress 3

Answers: (1-a)

Check your progress 4

Answers 4: (1-c), (2-c)

3.8 Glossary

1. **Sinks** - These are utilization of carbon-absorbing abilities of forests.

3.9 Assignment

- 1) Explain the history of OPEC and how did OPEC shaped or affected World.
- 2) Explain the best water management system of any country in the world.

3.10 Activities

Discuss the role of industries in spreading pollution.

3.11 Case Study

Discuss the aim of Kyoto agreement.

3.12 Further Readings

1. Jain, S.K., Sharma, A. and Kumar, R. (2004).“ Freshwater and its management in India.” Intl. J. River Basin Management Vol. 2, No. 3, pp. 1–12.
2. Chitale, M.A. (1992). Population and water resources of India. Umesh Communications, Pune, 452 pp.
3. Breach, Ian. (1975). The Living Earth: Pollution. Madrid and London: The Danbury Press.
4. Doyle, Jack. (2003). Riding the Dragon: Royal Dutch Shell and the Fossil Fire. Boston: Environmental Health Fund.

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BLOCK SUMMARY

In this block lot of information about role of industries in spreading pollution along with related concept of various pollutants is detailed. Various sort of renewable and non-renewable resources are discussed along with their impact on business are explained with certain illustrations. For your knowledge the block highlights various strategies needed for conserving natural resources and requirement of renewable resources are explained so that you should know about which sort of resources are favorable for our economic conditions.

The block information is quiet useful for you or related user as it simply explains about concept of Global warming and Kyoto Protocol which will lead to lowering of CO₂ emission. The block will detailed about information related to oil crisis exists worldwide and shows its impact with respect to business economy by considering certain policies and factors.

BLOCK ASSIGNMENT

Short Answer Questions

1. Dose typography play an important role in economic development of an industry?
2. What is pollution? Explain?
3. What is greenhouse effect?
4. What are water crises?
5. Will increase in oil price will affect the economic conditions?
6. Give some examples of non-renewable resources?

Long Answer Questions

1. State Kyoto protocol?
2. Compare between renewable and non-renewable resources?
3. What steps are taken to conserve natural resources?

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Enrolment No.:

1. How many hours did you need for studying the units ?

Unit No.	1	2	3
Nos of Hrs			

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any Other Comments

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**Dr. Babasaheb
Ambedkar
Open University**

BBAR-301

BUSINESS ENVIRONMENT

BLOCK-3 INDIAN ECONOMIC ENVIRONMENT AND GLOBAL DYNAMICS

UNIT 1

INDIAN ECONOMIC ENVIRONMENT PART I

UNIT 2

INDIAN ECONOMIC ENVIRONMENT PART II

UNIT 3

INDIAN MONETARY AND FISCAL POLICY WITH EXCHANGE RATE

UNIT 4

INDIA AND WORLD

BLOCK 3 : INDIAN ECONOMIC ENVIRONMENT AND GLOBAL DYNAMICS

Block Introduction

This block will give the basic idea about the planning in India and what was the goal of the Planning in India in different 5 years plans. A small critical analysis of the planning process and the achievements and failures of the planning process have been discussed in short. The New NITI Aayog which replaced planning process in India, small introduction also has been given on this. Agriculture development in India and Industrial policy discuss the improvements Have taken place in India in Agriculture sector and the variables behind this growth, this also

Discuss the policy matters pertaining to these sectors. Industrial policy discuss the situation before 1991 and after 1991. The liberalization, privatization and globalization occurred in the Year 1991 and it's after effects.

Public sector industries their roles and their problems have been also discussed. The limitations of public sector and more involvement of private sector in the Indian economy. The process of Disinvestment and privatization also have been discussed. This block will give basic ideas and Examples of disinvestment and privatization.

Block Objective

After learning this block, you will be able to understand:

- To know about the planning process, its success and failures.
- To know about the critical analysis of planning process and NITI Aayog.
- To know about the growth process of agriculture sector and Industrial policy in India.
- To have some critical analysis of Public sector, basics of Disinvestment and Privatization
- To know about the basics of money market and capital market.
- To know about the basics of foreign exchange regulations.
- To know about the basics of monetary and fiscal policy.
- To have basic understanding about foreign investments.
- The basic understanding of relations between India and WTO and like minded countries.
- To know about the basics and role of multinational corporations.
- Indian economic environment Part I

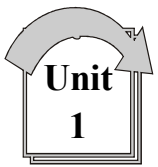
Block Structure

Unit 1: Indian Economic Environment I

Unit 2: Indian Economic Environment II

Unit 3: Indian monetary and fiscal policy with exchange rate.

Unit 4: India and World.



INDIAN ECONOMIC ENVIRONMENT PART-I

: UNIT STRUCTURE :

- 1.0 Learning Objectives.
- 1.1 Introduction.
- 1.2 Planning in India.
- 1.3 Agricultural Development in India.
- 1.4 Industrial policy in India.
- 1.5 Disinvestment and privatization in India.
- 1.6 Let Us Sum up
- 1.7 Answers for check your progress.
- 1.8 Glossary.
- 1.9 Assignments.
- 1.10 Activities.
- 1.11 Case Study.
- 1.12 Further Reading.

1.0 Learning Objectives

After learning this unit, you will be able to understand:

- The concept of Planning.
- The concept of Indian Industry.
- The concept of Industrial Agriculture.
- The concept of Public Sector.
- The concept of Disinvestment and Privatization.

1.1 Indian economic environment Part I

Introduction

After Second world war Economic Ideas were mainly divided into two main-stream thinking one was market oriented economy mainly in western countries and another was planning system under government mainly followed and circulated by then USSR. India a new born country in modern world followed more planning oriented and less market oriented economy. 5 year planing system was adopted by India and initial industrial base was created by Government of India in different industrial sectors, in the later years of 90s due to gulf war already fragile Indian economy sank in and India did 1991 reforms and opened up almost all sectors for private and global players. today public sectors and private sector in many areas are thriving. many public sector industries became privately owned through the disinvestment process. so remember that Disinvestment is a process and privatization is a result of that process. Besides that The long term growth potential of Indian economy results in moderately

positive which arises due to young population, corresponding low dependency ratio, healthy savings and investment rates which converts increasing integration into global economy.

1.2 The Planning in India, Then and now.

The development of the nation is goal goals with different ways, some countries followed free market system while some countries like India which were influenced by the USSR followed the socialist or mix system. Where the main difference was the questions basically answered by market is answered by the government as to what produce, how much and for whom. The idea behind planning system was the market is not ready to distribute the resources so the government came into the picture. Planning commission was a legislative commission set by Indian government in March, 1950.

The National Development Council (NDC) was working under the planning commission, chaired by the Prime Minister of India and included cabinet ministers, chief ministers etc. the functions of NDC includes

- a) Formulations of the plan and the required resource estimation of the proposed plan.
- b) Improving and reviewing the working style of the planning, increasing efficiency of the plan etc.

NITI Aayog

The planning commission was replaced by the National Institution for Transforming India (NITI) Aayog on 1st January, 2015.

Functions of NITI Aayog

- a) Decide the sectorial priorities for the national development and strategies involving fair participation of states creating a good model of federalism.
- b) Make and execute plans at micro level, e.g. on village level and give it a priority.
- c) Economic areas which are very important and strategic in nature for the country, attach national security also with them and use it as in national interest. E.g. doing and curtailing trade with some country on the basis of the political and security backgrounds. E.g. doing trade with Pakistan or countries sympathizers with Pakistan etc. This is just one dimension other dimensions can be as how to deal with friendly countries like US in trade? Etc.
- d) Create an environment which is innovative, supportive for entrepreneurs and create a group of like-minded people and organizations for long term planning and implementations of lessons learnt from those planning. Collaborate among different departments and different sectors for implementations of different plans of government

Overview

Planning in India was introduced just to make sure that the national resources must be used properly and efficiently and so the goals of every plans changes

as in the first plan the goal was improvement in agricultural sector, in the second plan the goal was to make industrial base in the country and there were other goals also eradicating poverty, social justice, equality etc. People known to this planning system criticize for being less efficient in many ways and also loud for creating industrial base on which liberal, free and market economy today depends, because India faced unique and bigger magnitude of problems which only China may have faced it successfully after 1970s and 80s. If we analyses the export composition of China what China was importing before 1980s that China exported in huge quantities after 1980s to those countries from which they used to import earlier. E.g. semiconductors.

Check your progress 1

1. Planning process in India was taken from _____ Country.
a) US, b) Russia, c) UK, d) France.

1.3 Agriculture Development in India

Agriculture sector although reducing its size in the contribution of national income but its importance is increasing day by day, it is a spine of all the industrial development. The problem India faced in agricultural sectors were unique and needed drastic changes. The structure of the agricultural system needed changes so the first three planes focused on the even distribution of land among the farmers and eradicating the ownership systems in the agricultural sector propounded by Britishers for their own benefits. E.g. Zamindari, Raiyatwari etc.

India faced acute shortage of food grains till 1970's., it's a very famous that in 1965 war with Pakistan, US threatened India that it will stop the supply of red wheat if India did more damage to Pakistan or continue the war. This was possible because US was giving us wheat under PL 480 law passed by US congress but after 1968 new varieties of seed were introduced and many other steps were taken to use new technologies which resulted in increase in food grain production. E.g. agricultural research centers were established, agriculture universities were formed, new small, medium and big irrigation projects were launched by government and private entities, new types of seeds were in used, fertilizers, credit by government and banks were being given to the farmers. All these things changed the status of India from dependent country on food grains to self-sufficient country or exporting country. The agriculture growth which was 0.3% before independence grew at the rate of 2.7% after independence.

How did the expansion happened in agriculture sector? And its externalities.

- a) **Irrigation:** - increase in area under irrigation has directly affected the productivity but it has also given the boost to the industrial sector. State and center governments have taken series of initiatives like electrification of village areas which has resulted in increase in use of pump sets and other electrical equipment meant for farmers, need of steel and cement and labor for irrigation projects, experts needed for ground water finding and level restoration also needed which has given externalities effect to the industrial sector.

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- b) **New seeds:** - the use of hybrid seeds has increased the production in food grains and other agricultural goods. These type of high yielding varieties needs nutrition and higher protection level, this has given another business to the industry sector for fertilizers and pesticides. The main problem here is the dependence of India in terms of fertilizers is not a good sign for the business environment for agriculture and allied activities. As in 2016-17 Annual agricultural report of Government of India says that 25% in case of Urea, 90% in case of Phosphates and 100% in case of Potash we are importing from abroad. Government of India is now encouraging the joint ventures between fertilizer rich countries and Indian companies, for this India has discussed the possibility of establishing companies with Algeria, Malaysia and Iran.
- c) **Help from the institutions:** - government of India and state governments with the help of RBI has made tremendous efforts for credit expansion in agriculture sector. The chain of Agricultural, regional rural, primary cooperative commercial banks have been established for this. NABARD National bank for agriculture and rural development bank is the epic institution for financial roles which are backed by RBI and Agricultural and Development Corporation, (ARDC).
- d) **Agricultural Marketing:** - time to time the cost of agriculture activity is increasing so the support price of the agriculture products is increasing to support the marginal income for the farmers. The main agencies which are empowered by the government to decide the support price adjustment are the cotton corporation of India, the jute corporation of India and the national agricultural cooperative federation of India (NAFED).

National Agriculture Policy

The agriculture sector is the backbone for all other sector and if all other sectors have their own policy Agriculture sector also need one. Government of India announced agriculture policy on 28th of July, 2000. The main take away are as follows.

- a) The main aim is to take the growth rate of agriculture sector to 4% per annum.
- b) The main aspect of the National Agricultural Policy is to encourage the private sector to invest in contract farming, investment in new technologies, capital inflows so that efficient agricultural activity can take place.
- c) India is the member of WTO and many countries are in favor of removing the quantitative restrictions on the agriculture goods and India will have to follow it but India has clarified that it will follow the commodity wise strategy.
- d) New research will be encouraged in the agricultural field of new seeds with better higher production and more resistant. The new seeds which can be specialized for particular region can also be developed and new ways of doing agricultural. E.g. hydroponics.

- e) Rural electrification will be done so the various electrical equipment's can be used.

Summary

India has faced problems because of agriculture dependency in the early decades after freedom. Agriculture sector is most important sector of India although it contributes less in national income and exports but has most of the working force employed in this sector and all other sectors are based on agriculture sector. The very famous saying of Napoleon Bonaparte that “there is no subordinate with empty stomachs”. India has done and achieved many of the targets in the agriculture sector but still there are some grey areas where we should concentrate to remain increasingly independent from the outside pressures in agricultural sector. In the matter of fertilizers 25% of Urea, 90% Phosphate and 100% Potash is imported as a finished fertilizers or as a raw materials according to the fertilizer department annual report 2017-18, which must be taken care of. The new methods of organic agriculture must be encouraged to minimize the side effects of the artificial fertilizers.

Check your progress 2

- 1) India became independent in terms of food grains and one of the reason is _____.
- a) Industrial Revolution.
 - b) International help.
 - c) New hybrid seeds.
 - d) WTO.

1.4 Industrial Policy in India

Introduction

The Industrial Policy is the Policy which determines what country want to produce with its own industry with available resources, the goals of Industrial policy of every country remains more or less same to become more industrially superior and get technological advantage in new and future technologies to reduce cost of production and capture more share in the international market, but the way taken by the countries can be different for e.g. the one way which U.S took was called as capitalism and the another one was taken by elsewhere USSR was called as socialism. Both are the extreme ways to become industrial country, another way is to have middle path which India took in 1991 and now slowly going towards more capital oriented economy in coming days.

Industrial policies and rules regarding the establishment of new industry or running already established industries whether they are Indian or foreign origin determine the opportunities and threats regarding the business and shape the business environment.

India has seen two different types of Industrial policies and also has seen the two different business environment, till the year 1991 private industries have

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very limited scope and with many restrictions while government had established industries with the view that basic and some welfare needs cannot be fulfilled by private industries, so the government industries were given prime priorities and private industries were considered as a industries promoting monopoly so the MRTP (Monopolistic and Restrictive Trade Practice) like acts were introduced to restrict the scope of private sector and license system was introduced for establishing new industries.

The year 1991 can be termed as a revolutionary in terms of Industrial direction. Controls were lifted and economy became more open towards the world and also changed the whole industrial environment of India.

Features of Industrial Policy before 1991

- a) The government was of view that public sector must be the prime force to determine the distribution of national resources and must have control over the national supply.
- b) The socialistic pattern of Industries were adopted which were basically emphasized the development of small and heavy industries. This pattern of developing industries was inspired by USSR (presently Russia).
- c) There were few fields which were reserved only for government industries such as defense products, atomic power, steel, coal, mineral oil, mining, aircraft making, railways etc.
- d) The entry of new Indian or foreign private industries were strictly restricted, licensing system was introduced and it was mandatory to take license to establish any new private industry.
- e) The flow and the direction of foreign capital was restricted in few industries only and was governed under the foreign exchanged Regulation Act (FERA), 1973.

Features of Industrial Policy after 1991

The year 1991 was very critical for Indian economy and business environment, as Gulf war increased the cost of Oil imports and Indian economy was in grave Balance of Payment Crises. This forced the Indian Government to do major policy reforms in Indian economy as well as in Industrial Policy. Today in those strategic industries where private sector was not allowed, many private firms are working and providing support to the government sector, for e.g. Besides DRDO Indian premier defense research organization there are other private players now like Godrej, L&T, Bharat Forge etc. which are today the part of defense manufacturing eco system. Same way ISRO is the premier research and manufacturing organization for space application in India but there are many firms ranging small to big in size contributing. There are many such example of synergy between government and private entities. Some of the feature of new Industrial Policy are:

- a) Gain more from what public sector has already made in India but without its weaknesses, redefine the role of public sector and reduce it and let private sector have some place with them.

- b) Government removed the enormous control and licensing from private sector also laws like MRTP and introduced the competition act in 2002.
- c) FDI and FIIs are allowed now with much relaxed terms and conditions, in many sector 100% FDI has been permitted for which means foreign company can have 100% holder of its own shares and also profit. In many highly sensitive technological fields may have 100% FDI on case to case basis if it benefits India.
- d) FERA (Foreign Exchange Regulation Act) has been removed and instead FEMA (Foreign Exchange Management Act) has been introduced.

More policy changes are happening as the government sees a new business environment. For e.g. private companies were not allowed to export defense equipment but now many private firms are supplying different types of equipment to the various nations. Further policy changes also needed to reduce the red tapes, various departmental permissions and lengthy procedure to make India more industrial oriented country, we can take example of China for reducing procedural issues.

Check your progress 3

- 1) In the year 1991 India faced BOP (Balance of Payment Crises, the immediate reason was _____.

 - a) Gulf war.
 - b) Less liquidity.
 - c) Higher price of oil.
 - d) A and C both.

1.5 Disinvestment and Privatization in India

Disinvestment is the process which reduces the government ownership from the various industries and privatization is the result of this process. Indian government's huge investment in public sector resulted in inefficiency, lack of vision for future technologies, stagnation, Reluctance to adopt new ways of production, no real competitors in the market, reservation of the selected industries only for government PSUs. This resulted in huge burden and large deficits in many countries and also in India. This led to the Indian government to do public sector reforms and shifts ownerships of many government industries partially or fully to the private sector step by step.

What are the ways to do privatization?

- a) Through the sale of equity of PSUs to the private sector or the employees of the same company.
- b) Denationalization of the earlier nationalized entities.
- c) Government can outsource the goods and services required by contracting the private companies and give off government companies.
- d) Allowing private sector in some fields where government thinks it should keep out of the market.

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- e) Privatization can also be done by privatization of management.
- f) Government can also do privatization by liquidize the government assets and closer of the entity.

What can be the problems in the path of Privatization?

- a) Government mostly sells the most inefficient firms but keeps price higher which is unacceptable to the private players.
- b) Many times opposition, trade unions and government employees try to stop the process of disinvestment and privatization in the fear of losing jobs or other advantages.

Preconditions for the successful privatization

- a) The process of disinvestment and privatization succeed only in two conditions, if government supports this process because of worsening economic conditions or when the business and economic environment supports privatization.
- b) The process of disinvestment and the privatization must take care of distribution of government firms. It should not go in the concentrate hands of private players but it must diversify the ownership as much as possible.
- c) The process and the rules and regulations must be simple and easy for the stockholders, it should not discourage them by overregulating the industry.
- d) The private players or the purchasers of the government firms must be given the specific goals to be fulfilled, for e.g. if government has outsourced the services then the services must be provided as per the requirements and set standards.
- e) Consumer must have more benefit from the system change that means consumer must have more choices with cheaper rates and with good competition in the market from the seller's side. This gives consumer an idea of consumerism and the ability to purchase wisely.
- f) Sometimes ownership transfer to employees gives more benefits so government must see that all the firms which government want to convert fully or partially should not fall into some people's hand it should be done by decentralized way which give more benefits and does not concentrate all income sources into few hands.

Benefits of decentralization process and Privatization?

- a) Government fill the losses done by government owned firms, which converts into fiscal burden of the government while disinvestment takes out this burden.
- b) Reduces the administrative burden of the government which allow government to see other welfare areas for the people.
- c) Private sector is mainly based on innovation and efficiency with diversity which gives benefits to the economy and consumers.
- d) It gives boost to new ideas and start-ups which are also possible in

government sector firms but in private sector it rises more than government sector. For e.g. in US there is a department called DARPA which see the production of new weapon systems of US and it distributes contracts to the private sectors and seen much success while same way India experience of DRDO, HAL remain mix but now many private sector firms are joining this sector and contributing for DRDO and HAL and ISRO.

Cautious words for doing privatization.

- a) Private sector runs predominantly for profit and does not like to perform on less profit margin, while many of the government firm's existential motto remains the welfare of the society, which can come under attack if the privatization is done in these fields. So government should do disinvestment and privatization by keeping in mind the welfare of society.
- b) The size of government firms are usually enormous and the scale of production mostly remain higher and if the some private players get hands on these firms which can make private monopoly power and hurt the consumer's interest.
- c) In the past history some of the profit making government entities which converted or sold partially or fully to the private sector were profit making firms. E.g. VSNL, Balco etc.

Many time when a government firm converted into private or the management shifts take place it is done in a way that it does not become a successful ownership transformation, this intentional ill transformation of ownership should not be done.

Check your progress 4

- 1) Privatization is _____ and disinvestment is _____.
a) Process, result b) Result, process.
- 2) Government should not do privatization of industries which _____.
a) Loss making. b) Strategic c) Small industries. d) Profit making.

1.6 Let Us Sum Up

This unit explains about the planning era of India which was the result of the USSR (Today's Russia), India adopted mix system with planning process. Today the same planning processes removed and NITI Aayog has been introduced with the same function with innovative way. This unit also explains how agriculture sector was in the initial years of India and what problems we faced before agriculture revolution 1968-69? Today's condition of agriculture sector has also been discussed the goal of achieving 4% agriculture growth is still in the table today. Industrial policy before 1991 and after 1991 the big shift has also been discussed with few examples, many of new acts have been introduced and old were replaced as MRTP and FERA were replace with competition act 2002 and FEMA respectively. One should under-

stand the meaning of Disinvestment and Privatization as disinvestment is process and privatization is a result of that process. Government should not do the privatization of profit making industries and if needed can and currently doing privatization of or PPP model for strategic industries with private sectors.

1.7 Check Your Progress Answers

Check your progress 1

Answers: 1- (b)

Check your progress 2

Answers: 1 - (c)

Check your progress 3

Answers: 1 - (d)

Check your progress 4

Answers: 1- (b), 1-(d)

1.8 Glossary

Disinvestment and Privatization: Disinvestment is a process, in which government firm's ownership is shifted into private firm, partially or fully and when this process is completed then it will be said Privatization to that extent.

DARPA: - American agency (Defense Advanced Research Projects Agency) equivalent to India's DRDO.

1.9 Assignment

Do the critical analysis of Success and failures of Planning Process.

1.10 Activities

Search the pattern of success or failure of Public sectors in the different countries.

1.11 Case Study

Read the disintegration process of the USSR. (Today the biggest remaining part is Russia).

Read the Development of Agriculture in Israel. How do they do it?

1.12 Further Reading and Bibliography

Indian Economy by sanjiv Verma, 2019-20 ed.

Political Economy of Reforms in India (Oxford India Short introductions) by Rahul mukheraji.

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Economic Development and Planning in India by V. Nath.

Agriculture & Rural Development in India since 1947 by Chandra Sekhar Prasad.

India: Industrialization in a Reforming Economy: Essays for K L Krishna by Suresh D. Tendulkar (Author), Arup Mitra (Author, Editor), K. Narayanan (Author, Editor), Deb Kusum Das (Author, Editor), S.D. Tendulkar (Editor).

: UNIT STRUCTURE :

- 2.0 Learning Objectives
- 2.1 Competition policy
- 2.2 Price and Distribution Control
- 2.3 Patents and Trade Marks.
- 2.4 Demographic Features.
- 2.5 Labor Legislation in India.
- 2.6 Unemployment in India.
- 2.7 Let Us Sum Up
- 2.8 Answers for Check Your Progress
- 2.9 Glossary
- 2.10 Assignment
- 2.11 Activities
- 2.12 Case Study
- 2.13 Further Readings

2.0 Learning Objectives

After learning this unit, you will be able to understand:

- Concept of competition policy in India
- Concept of Patents and Trademarks.
- Concept of Demographic features with unemployment and inequality.
- Basics of Labor Legislation.

2.1 Competition Policy in India

There are three famous economic systems. 1) Capitalism 2) Socialism 3) Mix economy. Indian initially followed socialism closely till 1990 and then moved towards the more liberalization and privatization, before that MRTP law was laid down by Indian government which was very controversial because of its restrictions imposed on domestic as well as international companies. The basic idea behind this policy was that private forms are monopoly makers so Government of India must not allow to concentrate economic power in few companies or people's hand, but this MRTP law had more grey areas so in 2002, Indian government laid down a competition policy which promotes the healthy competition among the firms and also does not allow to establish monopoly.

A competition policy and law is the set of guidelines which will be enforced by the government to affect the behavior and structure of the industries and the way of working in the market with government and consumers. For e.g.

Government under competition policy will not allow unfair competition forcing small firms with unfair practices, collusion and cartel making by acquisitions or mergers etc.

Objectives of the competition policy

- a) Efficient allocation of resources with quality management at lower price and sufficient supplies.
- b) To see that firms should not use their prime position in the market to shape less competition and should not allowed to form horizontal agreements (among firms) or vertical agreements, increasing the number of joint ventures which will kill the probability of evolution of any single or more dominant firms in the market.
- c) Horizontal restraints includes making price collusion agreements, creating artificial scarcity, sharing market to dissuade others from entering into market etc.
- d) Vertical restraints includes stopping firms from supply other firms, same behavior with distributors, selling somebody with conditions like selling on higher or lower price, selling in particular territory, price discriminations to different parties etc.

Structure of competition commission structure

The competition commission of India (CCI), which comes under the competition act has a chairperson and six members, which decides about the policies pertaining to the competition. Competition commission was established on 1st march 2009 with the objective of removal of adverse effects of any malpractices affecting adversely to the competition, protection of the interests of consumers and free trade.

Exemptions in the law of free trade

The matters which are related with national security and defense productions, maintaining of state secrets in the interests of national security, also when it is matter of public welfare firms can be given exempted from competition law.

The foreign policy is also shaping the trade relations of India with the rest of the world, any bilateral agreements between India and any other nation may make such type of firms or joint ventures which makes situations like monopoly.

There are few functions of government which can only be done with the production done by government firms or the firms comes under the agreements with government will have exemptions allowed by government.

Check your progress 1

- 1) In new competition policy _____ is not allowed.
a) Inefficiency b) making cartel c) artificial scarcity d) both b and c.

2.2 Price and Distribution Controls

Price and distribution controls usually applied when in any country has less supply of necessary goods or other goods, large population living under very

low level of income and does not able to even afford the basic goods, this situation trigger price and distribution control by the government for the welfare of the people.

Objectives of price and distribution controls

- a) A weaker section of the society must get the satisfactory level of consumption of goods and service, distribution and price biased policies for those weaker section and also balancing and taking care of inflation and artificial scarcity.
- b) A state has to see the standard and the quality of the goods, the essential commodity act 1955 makes sure that the quality must be preserved.
- c) To ensure that uninterrupted supply of consumer's goods should reach to the consumer as well as industrial input to the core industries with reasonable price.
- d) To control the inflation and deflation in the country.

Indian Price Policy

The main aim of Indian pricing policy is to insure the prices of the goods must remain under the buying power of most of the Indian society and must not be allowed to increase beyond a certain limit, to fulfil this goal government of India has different options which are: - 1) Indirect control 2) Direct control.

- 1) **Indirect controls**: - Indirect controls are exercised with the help of monetary policy, fiscal policy and the foreign trade policy.
 - a) Monetary policy is the policy to control the liquidity in the market with various financial instruments used by the central bank of any country and in case of India it is Reserve Bank of India. The expansionary monetary policy and Contractionary monetary policy affects the prices of goods and services and in turn affects the demand and supply chain of goods and services, So when the prices are higher, Contractionary monetary policy is applied and rate of interest of different banks shoot up, demand for money goes down and demand for goods and services also reduces and so the price, but this approach is not all in one medicine, selective credit control also applied to give credit on selective basis more rate of interest for speculative purposes and less rate of interest for productive manufacturing and demand.
 - b) Fiscal policy is the policy which deals about Tax and public expenditures. The fiscal policy can also be divided into expansionary and Contractionary policy by nature. When the prices become higher and continuously increasing further then Contractionary fiscal policy is applied by the Government of India. Contractionary policy increases the taxes weather it is direct or indirect and expenditure of government on public projects go down as per the priority which in turn reduces the money flow from the government to the public and reduces the capability of purchasing extra and this reduces the demand

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and so the price. Expansionary monetary policy applied mostly when economic growth is slow and showing signs of further decline. Government through various tax reductions to the export and import industries, tax reduction in direct and indirect taxes based on nature of goods makes goods bit cheaper and this induces people to purchase goods so the cycle of the economy runs. Public expenditures also increases particularly in such type of period on various productive public projects so the income of people associated with such projects can be increased and that keep up demand and runs the economy, in short in such times government wants the people must have money and goods to buy from the market.

- c) The trade policy is also used to stabilize and to change prices of goods and services internally and sometime externally also. In India government regulates the import and export of agriculture and non-agriculture goods to adjust price internally. For e.g. from September 2019 government of India has prohibited export of onion in the foreign market. Same way when China closed the supply of rare earth materials to Japan, India sent rare earth materials to japan.
- 2) **Direct control:** - government has number of systems and instruments to act on balancing price and distribution control to avoid any sudden price escalation.
 - a) Administered prices: - a price policy which does not reflects the demand and supply because it is administered and set by government. Earlier in India many important goods like cement, steel, coal etc. had been administered by the government but the administered pricing in India has been failed miserably because of short supply and black marketing in past and also the source of generating black money through corruption in government departments.
 - b) Dual pricing: - the dual pricing is a price system where government purchases some proportion of their output with little lower price than the market price and remaining output can be sold by the same industry in the open market with prevailing prices. The idea behind this system is the portion of output purchased by the government will help to the weaker section of the India while the industry will recover their profits by selling remaining output in the open market on higher market prices but in India because of this system sometimes prices in the open market increases enormously.
 - c) Public distribution system (The ration shop): - this is price system even before the freedom of India but after freedom Indian faced the acute shortage of food grains.

India was importing red wheat from US under PL 480 law, after this government started PDS system and made it a largest of its kind of system in which government purchases directly from the producers at a prevailing or support price and give that essential goods to the weaker section of the society. The Indian government has issues special cards to the families under BPL

line to get essential food and other supplies on a very lower price this is also called Targeted Public Distribution System (TPDS). The PDS system has also been criticized by the Comptroller and auditor General of India (CAG) on many grounds, CAG has identified that many BPL families have not been given the ration card, many times prices have taken higher than the prescribed prices, higher operation cost for the government, non-cooperation from the state governments etc.

Check your progress 2

- 1) Monetary policy is mainly to control_____.
- A) Flow of income.
 - B) Flow of liquidity.
 - C) Flow of foreign exchange.
 - D) Flow of taxes.

2.3 Patents and Trademarks

Intellectual property rights can be defined as “an information which has a commercial value”. These property rights have some characteristics that actual owner of that intellectual property if do not want to give full access, do not want that other know how it is made, how it works, and want to maintain the secrets of that intellectual property.

These days there are many types of properties and intellectual property rights are one of them and every country want to protect their intellectual property rights. The need of having new technologies are necessary for countries for many types of requirement. E.g. China’s Gili Company has made many copies of western standard cars and have sold in foreign market, bikes of Bajaj companies have also been copied in the China, the copies of Mig-21 and many other Russian fighter planes. This is also called reverse engineering. The biggest success of the concept of reverse engineering is the mobile industry of China which initially did try to make copies of western mobile phones but failed and made very low grade mobiles but slowly they advanced into reverse engineering and now they are competing with top most western and south East Asian country’s companies. These all examples prove that now countries will guard their intellectual property rights more zealously.

Intellectual property rights have many type in the form of patents, copyrights, industrial design, geographical indications and trademarks.

Patents

A patents is the acceptance and the legal authentication to the inventor of his own invention which is new and cannot be done by an average person and useful, commercially or any other way to sell and make exclusively and can’t be made by others. In India patent protection was started in 18th century and formally in 1911 the act was passed. India is a member of WTO and so it has to change patent laws according to the set standards of WTO.

The Indian patent Act 1970 explains the eligibility, procedure and conditions for having patents, why on some goods or practices no one can take patents,

rights and responsibilities of patent holders, removal of patents and the rights of government on patents in different situations.

Brands and Trade Marks

Today people prefer to be an owners of some particular brands of goods and services, which gives them satisfaction of using high value goods and services. Trademarks are the distinguish tool which makes on brand differ from other brand. Seeing today's world the brand value or name also possess high value till the company or goods or services are ranked and assumed to be top of the lines as per their users.

The definition of brand by American marketing association says "a brand is the name, term, sign, symbol, or design or a combination of them, intended to notify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

Need to rectify definition says "A trade mark is a brand or part of a brand that is even a legal protection because it is capable of exclusive appropriation. A trade mark protects the seller's exclusive rights to use the brand name and /or brand mark."

India has a trade marks law 1999 act which has basic objective of the registration and better protection of trade marks for goods and services and stopping copying and use of false trademarks. In India central government appoints the controller general of patents, designs and trademarks registers the patents, trademarks.

Any person can apply for the trade mark in the office of registrar of patents and trademarks. Registrar of trademarks and patents accepts the application and put the advertisement for the people so if anybody has any problems with the prescribed trademarks, they can counter apply for the same within 2 months and if not opposed the trademarks is granted to the applicant. The applicant must complete the procedure within 12 months after that the application will be considered cancel.

The applicant can also claim some part of the trademark part or design as for exclusive use. The application will be cancelled if it hurts the religious sentiments of communities or it was always there means it is customary. The appellate board has been created by the central government for solution of disputes related to trademarks and patents.

Summary

As this subject is gaining more and more momentum there are some concern also related to patents and trademarks. There are many customary practices in India which are continue since ages. E.g. the use of Neem and Haldi (turmeric) is considered as most useful things for home remedies which have become the issues when countries like US try to take patent. It can seriously affect the Indian pharmaceutical industry and home industries.

Check your progress 3

- 1) Intellectual property rights can be termed as _____.
 - a) A new information.
 - b) Information with legal rights.
 - c) Information with financial values.
 - d) both b and c.
- 2) Patent is given to an innovation which fulfills _____ Condition.
 - a) It must be new.
 - b) It can be made by others.
 - c) It must not be ordinary thing
 - d) it could reverse engineered
 - e) both a and c.

2.4 Demographic Features.

The spatial variations in the distribution, density, composition, sex-ratio, literacy rate, migration, and growth of population have a direct bearing on the utilization of resources and the levels of development of a region/country. It is, therefore, an important concern of geographers. The distribution, density, composition, growth, and migration of population are directly or indirectly controlled by physical, socio-cultural, economic, and political factors. India has only about 2.4% of total area of world but supports over 17.71% of world population in 2019.

Demographic transition is the transition from a stable population with high mortality and fertility to stable population with low mortality and fertility. During the transition population growth and changes in the age structure of the population are inevitable. In India, the demographic transition has been relatively slow but steady. As a result the country was able to avoid adverse effects of too rapid changes in the number and age structure of the population on social and economic development. Growth of population is the rate in the number of people living in a particular area between two given points of time. The net change between the two points of time is expressed in per cent-age and is described as the growth rate of population.

As stated, India is second largest population in world after China. The population of India was 1369 million in 2019. It is growing at a faster pace. On an average, Indian population is being increasing at a growth rate of over 1.08% (2019) per annum as against 1.14% (2019) for world as a whole and 0.59% (2019) for China.

Population 1,370,755,899.

Age structure 0-14 years: 26.2% (2020 estimates)

15-24 years: 18%.

25-54 years: 41.4%.

55-64 years: 7.8%.

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65 years and over:	6.6%
Dependency ratios	
Total dependency ratio:	49.8% (2018).
Youth dependency ratio:	38.9 %. (Old estimates)
Elderly dependency ratio:	9.8 %
Potential support ratio:	10.23
Median age total:	27 years Male: 26.4 years Female: 27.7 years
Population	
Growth rate	1.02%
Birth rate	17.80 births/1,000 population
Death rate	7.27 deaths/1,000 population
Net migration	
Rate	-0.383 migrant(s)/1,000 populations
Literacy	definition: age 15 and over can read and write Total population: 62.8%
	Male: 75.2%
	Female: 50.8%
Sex ratio at birth:	1.08 male(s)/female
	0-14 years: 1.13 male(s)/female
	15-24 years: 1.13 male(s)/female
	25-54 years: 1.06 male(s)/female
	55-64 years: 1.08 male(s)/female
65 years and over:	0.91 male(s) female Total population: 1.08 male(s) female
Mother's mean	
Age at first birth	19.9
Infant mortality	
Rate	total: 43.19 deaths/1,000 live births Male: 41.9 deaths/1,000 live births Female: 44.63 deaths/1,000 live births
Life expectancy	
At Birth	total population: 67.8 Male: 66.68 years Female: 69.06 years
Total fertility rate	2.51 children born/woman Drinking water
Source improved: urban:	96.7% of population
	Rural: 90.7% of population Total: 92.6% of population
Unimproved:	Urban: 3.3% of population Rural: 9.3% of population Total: 7.4% of population

Sanitation facility Access for
percentage : 98.9% of population.
Population:

2.5 Labor Legislation in India

The growth of China tells many stories but also stories related to Labors. The initial low level laws of China and strict bondage type of working areas, many special economic zones run by jailed prisoners kept low cost and western countries were seeing more competition as eastern countries were coming close to the western systems and technologies and needed markets where labor cost must remain low to have cheaper production and more consumption. As the countries get confidence on their labours they start to protect more and more and make stricter laws to protect their labours. The whole story is how much more productive is your labours and in what quantities? So the labour environment is also important and especially in democratic countries. In India directive principles of Indian constitution has put much more responsibility on the shoulders of state to protect and give employment to the labours who want to work. The labour legislations in India are important to determine the working hours, living conditions, their social orientation towards the mainstreamed, removal of bondage labour system, how and when to hire and fire the labours etc.

The ILO (International Labour Organisation) defines the rights of worker which Indian also has accepted.

- a) Right to work of own choice.
- b) Right against any type of discrimination.
- c) Ban on Child labours.
- d) Need of suitable work condition.
- e) Protection of wages.
- f) To create organisations like labour unions.
- g) Right to participate in management.

Classification of Labour legislation

- a) Laws related to Children and women which does not allow to keep children under the age of 18 and directs that all hazardous occupations and others also cannot employ children except the family business.
- b) Laws related to specific industries classifies that labours working for factories and workshops should get better conditions to work, prevention of cheating and extra advantage of labours. The laws related to the workers of Mines and Minerals are more focussed on the safety of labours, their wage, health hazards etc. the laws related to plantation and transport and other industries are generally more concern about the working conditions of the labours and their wages.

There is a big unorganised sector in India where labours can't make their voices loud and clear to the law makers. Government has envisaged laws also for them as minimum wage act, compensation act, employment and conditions of service act. Etc.

Summary

The labour legislations are important toll to safeguard the working conditions, wage rights and the standard of life of different types of labours in different industries. The lower wage and relaxed laws of course make the country a hot spot for other countries to do more investment but that causes harm to the upcoming generations.

2.6 Unemployment in India

Unemployment in India: Types, Measurement and Causes!

Unemployment can be defined as “is a state of affair when a person want to do the job and is fulfilling the suitable requirements for the job, still does not get the job”.

Types of Unemployment in India.

Disguised Unemployment:

This is a unique type of situation where people seems working but their Marginal contribution remains zero. This means if we take out those people there will be no effect on the total production. This type of unemployment in India mostly seen in Agriculture sector or family business where people tend to work in family farms which may be small in terms is size. The lack of other means of employments or rigidity in terms of migration from one place to other place may be the reason of this types of unemployment. As India will more forward from highly agrarian country to the more industrial country, this type of unemployment will reduce and Indian economy will be prone to new type of unemployment related to the sector which is more contributing in the economy.

Seasonal Unemployment

This is a type of unemployment which occurs due to the change in the consumption of particular goods and services and that also depends on the seasons in they tend to use more or less. The seasons are the defining factor in the selling of these goods and services, so when the season is in peek the demand of that goods and services will be higher so as the employability and vice versa.

4. Cyclical Unemployment:

The business cycle is the main reason of this type of unemployment. The business cycle shows the degree of business activity. The business activity has four stages which can be said as the stages of business cycle which are expansion, peak, and contraction and through. In the old ages the unemployment mostly was connected to agricultural sector because almost all the population was engaged in the same sector but after industrial revolution and World War II, and WTO new dimensions of cyclical unemployment have emerged, now there are many reasons of cyclical unemployment as recession in an

economically strong country, export oriented economy, political relations, financial mismanagement etc.

5. Educated Unemployment:

Educated unemployment is a phenomenon when the desired qualification does not match with the current qualification and people does not get absorbed in the market. The common reason can be the bad economic condition of concerned country besides less practical education system, absence of technical education, lack of desired skills even after achieving the desired skills etc.

6. Technological Unemployment:

Technical unemployment is a mix reason of excessive use of capital intensive technologies and not acquiring new skills needed to market. The cost reduction aim of companies as well as any production facility opt more machine than man which creates more inequalities also.

7. Structural Unemployment:

Changing structure of any country's economy also creates opportunities as well as some drawbacks and structural unemployment is one of them. When Indian economy after 1980s and majorly after 1991 shifted towards more market oriented economy the structure of Indian economy has changed much more, use of computers and modern devices have been observed everywhere in every scale of work, automatisation is spreading everywhere causing many changes in economy as well as employing less people and shading more people in the market.

Summary: - unemployment is a problem of every country except very small prosperous countries. We can divide countries on the basis of their economic development and life standard as 1) Developed nations 2) Developing nations 3) underdeveloped nations. All these three types of countries have different reasons of unemployment. Mostly in developed nations short term, technological, cyclical or frictional short terms unemployment is seen in developing countries structural and technological, educational, cyclical and Disguised unemployment is common same with the underdeveloped nations. The big difference is developed nations and bigger developing nations can help themselves, can handle the effects of unemployment because the population of these countries have higher set of skills and can adopt new skills easily.

Check your progress 4

- 1) Agriculture sector in India faces _____ unemployment.
b) Structural. b) Frictional c) disguised d) above all.

2.7 Let Us Sum Up

There was a major shift in the nature of Indian government regarding how economic activities conducted should and the structure of ownership? The major change was LPG policy and competition policy initiatives and abolition of MRTP act with sole objectives of increasing competition and provid-

ing more options to the consumers but there were some government systems which were continued to support the lower income people like PDS and price controls to provide them basic food grains at very low price. Patents and trademarks are the important aspects of IPR management which encourages people to do new inventions and provides property rights over those IPRs. This unit also gives the slight idea of labor legislation of India and some aspects and examples of the countries with international understanding. This unit also contains the information about unemployment in India.

2.8 Answers for Check Your Progress

Check your progress 1

- 1) a. (Inefficiency)

Check your progress 2

- 1) b. (Flow of liquidity)

Check your progress 3

- 1) d (both b and c)
- 2) e (both a and c)

Check your progress 4

- 1) c. (Disguised)

2.9 Glossary

1. Developed Nations: - A nation which has identified the most possible resources and now doing optimization of all possible resources is called developed nation. Such nation's population has high set of skills and have higher facilities and educational system in terms of research and development.
2. Developing and underdeveloped Nations: - these types of nations are doing structural changes as well as growth also. These nations are still refining their resources and searching new ways for more development while continuously doing optimization of resources. E.g. India has population which has higher set of skills and very low set of skills, still India needs structural changes in terms of education, economic reforms, modern systems and research and development while US has higher literacy rate, superior infrastructure while India still working in these sectors even in terms of cleanliness. So this clears that developing and underdeveloped nations are still changing basic infrastructure while developed nations are above all these changes.

2.10 Assignment

What is patents and trademarks?

2.11 Activities

Write a short note on how unemployment of Developed nations is different from Developing and Under-Developed nations.

2.12 Case Study

Discuss how reforms of 1991 and competition policy has changed India?
Study the 1930 Great Depression in US.

2.13 Further Readings and Bibliography

- 1) Competition Law in India: Policy, Issues and developments by T. Ramappa. Oxford University Press. 2014.
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: UNIT STRUCTURE :

- 3.0 Learning Objectives.**
- 3.1 Introduction.**
- 3.2 Money market and Capital market.**
- 3.3 Foreign exchange regulation.**
- 3.4 Monetary policy.**
- 3.5 Fiscal policy.**
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3.0 Learning Objectives

After learning this unit, you will be able to understand:

- The concept of money market and capital market.
- The concept of Foreign exchange regulation.
- The concept of monetary policy.
- The concept of Fiscal policy.

3.1 Introduction

The Indian money and capital market is a place where short term and long term funds are borrowed and lent. These both well developed markets helps economic growth by lending and borrowing funds to the producers and many other stakeholders. These markets are also important for consumptions of more goods and services and even manufacturing of these goods and services. Organized and unorganized both sector contributes for and of these markets.

Foreign exchange regulation is important aspect for a country as this regulates the demand and supply of the foreign funds and channelize them into the priority sector for the country especially if the country is in a developing stage. India also initially remain strict in terms of foreign currency and later when adopted liberal policies strict regulations became soft management currency system which has increased the foreign reserves of India.

Monetary and fiscal policies are the common in all countries with different nature. These are the policies to control the flow of money, Tax and public

expenditure as per the need of economic conditions of the country and gives way for more development.

3.2 Money Market and Capital Market

Money Market

Money Market is a credit market where short-term funds are borrowed and lent. This contains borrowers and lenders of short-term funds where borrowers are normally:

- a. Merchants
- b. Traders
- c. Brokers
- d. Manufacturers
- e. Speculators
- f. Government

It is found that lenders are:

- a. Commercial banks
- b. Insurance companies
- c. Finance companies
- d. Central bank

The money market brings together the lenders and the borrowers which does not deal in cash or money but deals with trade bills, promissory notes and government papers or bills for limited period.

Functions of Money Market

It is seen that a well-organized and developed money market will help country in getting economic growth and stability which performs diversity of functions in terms of banking structure of economy, which are:

- (a) Money market shows commercial banks, non-banking financial concerns, business corporations and several investors for short-term funds that makes them to use extra reserves in investment.
- (b) Money market shows short-term funds to businessmen, industrialists, traders so as to meet daily needs of working capital.
- (c) Money market shows short-term funds not to private businessmen but also to government and its related agencies.
- (d) Money market makes businessmen with extra funds so as to invest it for short period.
- (e) Money market shows medium by which, central bank of country exercises control on creation of credit.
- (f) Money market serves as great help to government.

Characteristics of Indian Money Market

It is noted that an Indian money market is an under-developed money market which is loosely organized and suffers from several hindrances and is divided into two parts:

INDIAN
ECONOMIC
ENVIRONMENT
AND GLOBAL
DYNAMICS

- a. Organized sector
- b. Unorganized sectors
It has certain important characteristics such as:
 - (a) It does not possess highly organized banking system which is required for successful working of money market.
 - (b) It does not have adequate and continuous supply of short-term assets which includes bills of exchange, treasury bills or short-term government bonds etc.
 - (c) There exists no dealer in short-term assets which acts as intermediaries that exists among government and banking system.
 - (d) It does not contain essential sub-markets like acceptance market, commercial bill market etc.
 - (e) It is noted that there exists no proper co-ordination among different sections of the money market as inter-connection among different sections of money market often loses and un-co-ordinated.
 - (f) Indian monetary and fiscal policy with exchange rate.
There results no uniformity among interest rates that varies considerably among certain financial institutions as well as centers. Money-lenders especially charge exorbitant rates of interest.
 - (g) The Indian money market does not attract foreign funds as the London money market does. Thus, the Indian money market lacks international status.
 - (h) The Reserve Bank does not possess adequate capacity and power to influence and control the entire money market. It has no adequate control over the policies and functioning of the unorganized part of the money market.

Capital Market

The term “Capital Market” is used to describe the institutional arrangements for facilitating the borrowing and lending of long-term funds. Usually, stress is laid on the markets for long-term debt and equity claims, government securities, bonds, mortgages, and other instruments of long-term debts. Thus, the capital market embraces the system through which the public takes up long-term securities, either directly or through intermediaries. It consists of a series of channels through which the savings of the community are mobilized and made available to the entrepreneurs for undertaking investment activities. Conventionally, short-term credit contracts are usual.

Structure of Indian Capital Market

The capital market in India may be classified into two sectors:

- Organized sector
- Unorganized sector

In the organized sector of the capital market demand for long-term capital comes from corporate enterprises, public sector enterprises, government and

semi- government institutions. In India, even the organized sector of capital market was ill-developed till recently because of the following reasons:

- a. Agriculture serves as main occupation which did not lend itself to floatation of securities.
- b. The foreign business houses held back growth of securities market.
- c. Various restrictions have been imposed on investment pattern of various financial institutions.
- d. The investment habit of individuals has been very low.

The unorganized sector of the capital market consists of indigenous bankers and private money-lenders. The main demand in the unorganized capital market comes from the agriculturists, private individuals for consumption rather than production and even small traders. The supply of money-capital comes, usually from own resources of money-lenders and falls short of the requirements.

Components of Indian Capital Market

The following are the main components of the Indian capital market:

1. New Issues Market.
2. Stock Market
3. Financial Institutions.

New Issues Market: The new issues market represents the primary market where new shares or bonds are offered. Both the new companies and the existing ones can raise capital on the new issue market. The prime function of the new issues market is to facilitate the transfer of funds from the willing investors to the entrepreneurs setting up new corporate enterprises, going in for expansion, diversification, growth or modernization.

Financial Institutions: Special financial institutions are the most active constituents of the Indian capital market. Such organizations provide medium and long-term loans repayable on easy instalments to big business houses.

The following are the main financial institutions that are most active constituents of the Indian capital market:

- (a) The Industrial Finance Corporation of India Ltd.
- (b) The Industrial Credit and Investment Corporation of India.
- (c) State Financial Corporations.
- (d) The Industrial Development Bank of India.
- (e) National Industrial Development Corporations.
- (f) Unit Trust of India.
- (g) Life Insurance Corporation of India.
- (h) Nationalized Commercial Banks.
- (i) Merchant Banking Institutions.
- (j) The Credit Guarantee Corporation of India.

Check your progress 1

- 1) The difference between Organized and Un-Organized sector is set of rules and regulations. (True / False)
- 2) The money market is for _____ term and capital market is for _____ terms financial needs.
 - a) Long - Short.
 - b) Short – Long.

3.3 Foreign Exchange Regulation

Features of Exchange regulation

- a) Government will control the full foreign exchange market.
- b) All the foreign currencies must be surrendered to the central bank.
- c) The central bank fixes the official exchange rate.
- d) There will be regulations of the currency to be supplied to the importers.
- e) Exporters are required to surrender all the foreign currencies earned from export.
- f) Only some specific sanctioned banks and forex centers can deal in foreign exchange.
- g) The central bank can act as a discriminatory agency as it can charge lower rates for essential imports and higher rates for luxurious products.

Objectives of the foreign exchange regulation.

- a) **Over valuation of currency:** - countries in some situation fix the value of currency higher than what market defines. This is because of few reasons. 1) Country may be in war and it needs war finance to import necessary goods. 2) A country is in developing stage and needs expensive capital technologies equipment etc. countries which relies on export does not prefer to have of to do overvaluation of own currency. In 2010 Japan and Germany's currency was overvalued which was not welcomed in both countries because higher currency value increases the cost of export and decreases the export growth.
- b) **Under Valuation of currency:** - Countries also reduce the value of their own currency which is called under valuation of the currency. China is famous for doing under valuation of its currency to increase the export by making it more competitive which is one of the reason of trade war between US and China. India also did devaluation of its own currency to increase the export.
- c) **Stopping fluctuation of the currency:** - the frequent change in currency exchange rate is harmful for both export and import, because changes in exchange rate crates doubts in the minds of purchasers and sellers and refrain them to doing business contracts.
- d) **Protection strategy:** - to save the domestic industry a country can stop importing such type of goods which compete with domestic goods

and government tries to keep them at bay with exchange control policy. This also helps to keep check on non-essential goods coming in country.

- e) **Check on BOP:** - The Balance of Payment problem is the priority for all government to solve when it occurs and to do everything to stop BOP crises. When countries export more the BOP turn into favorable condition as increase in export increases the flow of foreign currencies and increase in import increases the payment in foreign currencies. So all the countries try to increase their export and limit imports especially those countries who have lower transactional value compared to other high valued currency. In those situation they impose strict foreign exchange regulation policy. So higher the export more will be the favorable conditions for the countries BOP and Higher imports lower will be the BOP condition. As in 1991 India faced the BOP crises when oil prices increased.

Summary

The exchange control is a tool for governments to achieve the planned goals in terms of increasing exports and decreasing imports, maintaining suitable currency exchange rates, keeping domestic goods more competitive so market penetration for new goods or nations becomes easy, earning revenue and sometimes in retaliation of the adverse policies of other country. These all are benefits also and the goals also for exchange control but it's not that easy as it looks, as we take the steps other countries also take the steps to nullify the effects and vice versa which many times turns into trade wars and disagreement on trade. The negative side of exchange control is it can reduce the international trade and efficiency in the international market.

Check your progress 2

- 1) A country with higher comparative value of currency can import more. (True/False)
- 2) If Government does the under valuation of own currency it is called _____ and if market does under valuation of currency is called _____.
 - a) Depreciation – Devaluation.
 - b) Devaluation – Depreciation

3.4 Monetary Policy

Monetary policy in India

Monetary policy is the policy to control liquidity in the economy. The central bank of every country handles this policy to compliment fiscal policy. The fiscal policy is the policy of taxation and public expenditures and public debt.

Monetary policy is responsible for the credit creation and liquidity control in the economy, these days almost all of the industrial, agricultural and service sector need credit and monetary policy controls it through various instruments and measures.

INDIAN ECONOMIC ENVIRONMENT AND GLOBAL DYNAMICS

The Reserve bank of India field four measure of money supply as M1, M2, M3, M4.

M1: - M1 comprises the cash in hand with people whether it is notes or coins, demand deposits with the banks and other deposits with the RBI.

M2: - M2 comprises M1 + savings with post office.

M3: - M3 comprises M1 + time deposits with the banks.

M4: - M3 + All post of deposits.

Usually RBI and Government give more important to M3 money supply measure earlier it M1 was considered important money supply measures.

Instruments of monetary policy

The instruments are of two types. One general quantitative methods and selective methods.

The general quantitative methods comprises Bank rate, CRR (Cash reserve ratio), Repo rate and reverse repo rate, SLR (Statutory liquidity ratio) and open market operations.

The bank rate is the oldest instrument of monetary policy, it was also known as discount rate because it was the rate at which RBI was giving discounts or rediscounts to different banks. These days RBI gives financial support (credit) to the banks on this rate. So if the RBI is increasing bank rates the interest rate charged by the banks to the ultimate credit taker will increase and less credit will be taken on higher rate of interest and lower liquidity will reach to the market.

Open market operations refers to the sale and purchase of different bills and financial instruments, foreign currencies, gold, government securities and shares of companies. The sale is made to affects the value of domestic and foreign currency in international and domestic market. This can also be used in the situation of deflation and purchasing in the situation of inflation.

CRR (cash reserve ratio) is the requirement which every bank has to keep with RBI and RBI has authority to change this ratio. If the RBI is increasing this ratio then less amount of cash will remain with the banks and credit will be given on the higher rate of interest and vice versa.

SLR (Statutory liquidity ratios) says that banks have to keep liquidity at the RBI in terms of some percentage of their demand or their time deposits requirements. This is exclusive of cash ratios that means banks have to maintain some percentage of cash balance also and SLR also.

Selective credit regulations are very important at a time when government of RBI want to increase or decrease liquidity in some particular sectors or industries or particular part of economy. This instrument enable RBI to give credit on a higher rate of interest in some particular sectors at the same time giving credit to a particular sector on a lower price. This keeps the speculative activities away and help to meet the demand supply ends that also prevent the much higher or much lower price incidents in the market

Check your progress 3

- 1) Monetary policy is all about maintaining the proper liquidity in the economy. (True / False).
- 2) Higher the CRR, Repo rate and Reverse repo rate more the liquidity available in the market. (True/ False)

3.5 Fiscal policy

Fiscal policy in India

The fiscal policy is the policy about taxation and public expenditure. Monetary policy and Fiscal policy both are complementary to each other; they are not substitute for each other. Fiscal policy also affects the economy with own way, if the economy is in the slowdown mode or recession is prevailing in the economy then government would reduce the taxes and do more public expenditures so that people should find more liquidity in their hands and they should not stop visiting market and this way market should function at normal rate and vice versa.

Budget is the document presented by finance minister in the parliament and comprises all the records of income and expenditure (Revenue income and Capital income) happened in the past year and also present the proposed income and expenditure estimation in the upcoming year.

The budget revenue and expenditures are divided into revenue receipts and capital receipts and same way expenditures are also called as revenue expenditures and capital expenditures.

There is a special post which is independent also, that is comptroller and auditor general of India which does audit of income and expenditures of Government of India. Reports of CAG (comptroller and auditor general of India) is discussed and considered most important document for assessing government's transactions done inside India or outside world.

The best example of how government can use fiscal policy after plunged in economic crises is 1930's great depression.

Indian monetary and fiscal policy with exchange rate.

Check your progress 4

- 1) Higher inflation will force government to have more free or expansionary fiscal policy. (True/ False)
- 2) Fiscal policy is the policy related to _____.
 - a) Liquidity.
 - b) Taxation
 - c) Public debt
 - d) both b and c.
 - e) none of the above.

3.6 Let Us Sum Up

The fiscal policy and monetary policy both are the important aspects of the government and RBI. The aim of both the policies are same to maintain the economic balance and help in growth for the country by different ways and instruments. Which policy will work depends on the situation, most of the time both policies work together in same direction but sometimes there are some bifurcations in the view point of RBI and the Government. The Government mostly try to take populous decisions which benefits them politically as the responsibility of government is huge and targets sometime they put remains very ambitious, these are the times when friction between RBI and Government can be seen but lastly RBI mend the way against the pressure of Government. These are some negative aspects of the autonomous status of RBI.

3.7 Check Your Progress Answers

Check Your Progress 1

Answer 1: TRUE

Answer 2: (B) Short – Long

Check Your Progress 2

Answer 1: TRUE

Answer 2: (B) Devaluation – Depreciation

Check Your Progress 3

Answer 1: TRUE

Answer 2: FALSE.

Check Your Progress 4

Answer 1: FALSE

2: d (both b and c)

3.8 Glossary

Expansionary and Contractionary monetary policy : - when the more liquidity is maintained by RBI and CRR, SLR and all other ratios are kept lower so as to generate more liquidity is called expansionary monetary policy, while same ratios mentioned above are maintained higher and liquidity is maintained lower in the economy by RBI is called Contractionary monetary policy.

Expansionary and Contractionary Fiscal policy: - Lower taxes and higher public expenditure called expansionary and higher tax and lower public expenditure is called Contractionary fiscal policy.

3.9 Assignment

Do the critical analysis of foreign exchange policy of India before 1991 and after it.

3.10 Activities

Read 2007-08 recession.

Study the worst Inflation (High and continuous rise in prices of goods and services) in Zimbabwe country.

3.11 Case Study

Read the Fiscal policy of India before 1991.

3.12 Further Reading

- 1) Financial institutions and financial markets in India: Functioning and Reforms. By Niti Bhasin. New century publications.2010.
- 2) India's Fiscal policy: Prescriptions, pragmatics and practice edited by Supriyo De. Cambridge University Press. 2017.



: UNIT STRUCTURE :

- 4.0 Learning Objectives**
- 4.1 Foreign Investments.**
- 4.2 Multinational corporations.**
- 4.3 WTO and India.**
- 4.4 Let Us Sum Up**
- 4.5 Answers for Check Your Progress**
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- 4.9 Case Study**
- 4.10 Further Readings**

4.0 Learning Objectives

After learning this unit, you will be able to understand:

- Concept of foreign investments.
- Concept of Multinational corporations.
- Concept of WTO and India.

4.1 Foreign Investments

International investments have changed the shape of world especially after World War II, IT revolution and modern banking sectors and of course new inventions and consumer buying. The term size of Market rules the foreign investment. It is also an economic tool to measure how much weight is in your country, it is also a measure to see how much less procedural issues are in your country. How much more political stability is in your country? Etc. this is also a political tool to shape the world as after world war II US help to build the whole Europe under Marshal plan.

Types of foreign investment

There are basically two types of foreign investment

1) FDI (Foreign Direct investment)

This is a long term investment in any country.

This really give benefits to the host country in terms of increasing employment, technology building, knowing new practices and many more. This can also be called direct long term investment.

This can be done two way as Inflow of FDI and outflow of FDI. That means flow of investment coming inside our country and flow of investment going out from our country.

The inflow and outflow both can be possible by doing joint venture as Indian and other nation or nation's companies invest together. That is called joint venture and the control over the company depends on who shares more. The Brahmos Aerospace Company is the joint venture between India and Russia. Wholly owned subsidiary means having a branch of its own company in other countries.

Acquisition means acquiring company. As TATA group of companies have purchased biggest British steel producing company by paying 54,000 Cr Indian Rupees.

2) Foreign portfolio investment.

This is short term self-profitability seeing investment. These types of investment includes Foreign Institutional investment (FIIs) like mutual funds. There are other instruments also which GDR (Global Depository Receipts), ADR are (American Depository Receipts) and other currency convertible bonds.

Benefits of the foreign investments

How much foreign investment is important? This question can be asked to the Chinese government, Market and users. The Chinese international trade before 1980s and after 1980s is upside down. What china was importing? After 1980s became exporter of those goods. The technical knowhow of many technologies, the benefits of western educational concepts, increase in the amount of research, patents and above all the possibility of reverse engineering of every western and eastern India and World. product became only possible when in the search of cheap labour and ample amount of raw material toll western countries specially to China and China took fullest advantage of this foreign investment in terms of learning and many more.

This example states that foreign investment increase the employability, skills and after all wages of the domestic labors. The Choice of goods and services available to consume is another benefit for the host consumers.

The government has now economic and political leverage against the investing country as well as a source of income. E.g. India leveraged its market position against Pakistan to keep out South Korean companies from POK area which India considers integral part of India but at the same time India yet cannot keep out China from POK and couldn't stopped China from making CPEC (China Pakistan Economic Corridor) as China's calculation to get short and direct access to the central Asia for trade and investment. The reason is same investment but the result is different.

Limitations or Dangers of the foreign investment

The foreign capital flow also depends on how much the absorption capability host country have? The infrastructure facilities, skilled labors etc. needed to absorb foreign capital. There are some limitation of foreign investments that this investment will only come if there are chances of profit and that says that if sector has more profit foreign investment will come but if basic and strategic sector has less scope for profit, foreign investment may not come with much needed volume.

INDIAN ECONOMIC ENVIRONMENT AND GLOBAL DYNAMICS

The technologies brought by the foreign investors may not be suitable for the economic, social and demographic environment of the host country.

There are chances that MNCs (Multi-National Companies) because of their huge money or sales volume may try to infiltrate or control the political system of the country which is dangerous.

Sometimes small countries with big ambitions try to take huge loans or conditional investment in particular project but it does not become fruitful then the host countries can't pay back the huge loans and they have to give some area or territory to the investing country for longer period of time. E.g. Sri Lanka took the huge loans during the Sri Lankan presidency of Mahinda Rajapaksa from China to develop Hambantota port which did not take up and Sri Lanka had to give that port to China for 99 years of lease. This has happened with many South African countries also and hence it is called China's cheque book policy.

There can be some disagreements between government at political levels and that can affect the investment decisions or vice versa.

Competition with domestic companies and unfair practices of creating monopoly or cartel can be practiced if the laws of the home countries are much relaxed or not implemented properly. E.g. the Bhopal gas tragedy must be the correct example of this, as the Mithail Aiso Cyanide gas was routinely transported by road since many years in that factory which was really dangerous and then the maintenance of the Bhopal gas plant (Union Carbide Factory) was neglected and staff for maintenance was shelved keeping aside all the safety laws which resulted in huge catastrophe and killed thousands of people in 1984.

Check your progress 1

- 1) Foreign investment is essential for developing countries to create skilled force. (True/ False)

4.2 Multinational Corporations

Meaning

A MNC (Multinational Corporation) is a massive company which is established mainly in one country called home country and but operated in many countries called host countries. The important point is headquarter of such giant companies mostly remains in the mother country from which it has originated.

Features of Multinational corporations or companies.

- 1) **Huge turnover:** - such multinational companies have huge turnovers because of their operations in many countries and keeping fairly higher level of prices of their goods because of their higher technological skills and manufacturing technological and R&D advantages. Such companies are famous for their products and brands and so charges more for their brand usage resulting in decent profits from host and mother countries. Many of the firms have such a huge turnover which is more than the GDP of many countries. For e.g. Microsoft, visa,

Amazon, Tesla, Volkswagen, Walmart and many other international giants have more revenue than many small countries.

- 2) **Operations controlled by a power center:** operations of such huge companies are controlled from the head office of their mother countries and they take full revenue to the mother country.
- 3) **Huge economic power:** - The economic power of these companies is huge, they absorb many small companies which benefits them.
- 4) **Technological Advantage:** - These companies have more resources, bigger revenues and of course bigger R&D facilities which makes them more advanced in terms of technology and that is their USP.
- 5) **Marketing and qualitative advantages:** - These companies affect millions of their viewers with attracting advertisement and have more quality or impression of more quality in their goods and services. The important part of these companies is they coin many new ideas which are coming from new social, scientific and behavioural research.

Advantages of MNCs

- 1) MNCs can generate employment in the host countries.
- 2) Inflow of foreign capital is important aspect of such establishment. Which is beneficial for both the host country and the mother country which has headquarter.
- 3) BOP (Balance of Payment) improvement: - the inflow of foreign capital prospers the foreign reserves of the host countries if the policies, rules and regulations and laws are proper otherwise sometimes these benefits do not materialized.
- 4) Technical and Managerial development: - These companies come with certain working technologies which makes them new trend for the host countries. They comes with new technologies which makes host country population more technical oriented people. Sometimes transfer and training of local population makes more advantages for the host countries to further indigenize foreign technologies into own technologies. China is famous for that, they have reverse engendered many foreign technologies and now they are coming up with own ideas. This is biggest advantages of having these MNCs.
- 5) More Choices for local population: - foreign companies comes with new solutions for the people's desire of goods and services because they want to look different from the domestic companies. They also come with their own culture which change the choice preference and options available to the host countries population.
- 6) Strategic Vision: - These companies come in the host countries not just for commercial reason but sometimes for strategic reasons also. Especially in terms of Defense, telecommunications, steel, ship building and many other industries come with bilateral understanding of the countries. These treaties also comes with some technology transfers. For e.g. French company DCNS is partnering with India ship

building companies like Mazgao Docs LTD and L&T and many other companies to manufacture Scorpion Submarine in India for Indian Navy.

Limitation of the Multinational Companies

- 1) **Tricky for domestic industries:** - Multinational companies comes with more competitive prices and innovative goods and services which makes domestic companies nervous and many times these companies acquire small domestic firms to reduce competition.
- 2) **Drainage of Profits:** - The Definition of National Income by IMF counts the income generates by such foreign companies into national income of host countries but the reality is these companies takes much of the proportion of profits earned from host countries to mother country.
- 3) **Interference into internal matters:** - If the host countries political situation is unstable or has any scope of intervention, these companies easily sense such things and can lure the political elites into making favorable policies. These companies can becomes the handy tools of foreign agencies to remain eyes and ears into host countries which is dangerous. In many circles these things are common. These companies also give priority to own profits than the fair profit and welfare of the host population. The host country must have the strict set of rules and regulations to curb such misadventure of these companies. The point to mention here is host countries most of the time are developing and underdeveloped countries, whose population is not much aware, literate or technologically skilled to counter such threats of MNCs while their political elites mostly have less future vision, corrupt internal system and small monetary and political advantage force them to make more lenient rules for such companies. For e.g. there are many countries who have given up their own natural resources to such companies and just take some percentage out of total revenue rather extracting themselves. UAE, Saudi Arabia, Katar, Kuwait etc. Middle East countries and some African countries are dependent on USA for their security and armaments while giving up contracts to western and European companies.
- 4) These companies can over exploit the natural resources of the host countries even the human capital of the host countries because most host countries need the foreign capital and investment and they want to maintain good relation and want to remain in the good books of the big countries by giving entry to such companies. These companies also involve into changing the culture of the host countries which is making their selling slow or not allowing domestic population to consume those goods and services. MNCs through show of modern culture and many times by presenting wrong information in advertisement lure the local population to consume their goods and services and makes domestic culture look like alien kind.

Check your progress 2

1) MNCs are headquartered in their host country. (True/ False)

4.3 India and WTO (With reference to developing countries)

The world was shaken by the two world wars within short period of time the First World War started in 1914 and the ended on 1918, the Second World War started in 1939 and ended in 1945 with emerging nuclear states. The most important thing Europe learnt that War is not a solution and they turned toward Economic integration and GATT (General Agreement on Tariffs and Trade) was born and succeeded by WTO. The basic difference between GATT and WTO is the GATT was had no legal powers or regulation force which can force to comply other nations while WTO can force countries to act accordingly the rules of WTO acceptance are omitted when powerful countries do not comply with WTO. There are some other structural differences also.

Functions of WTO

- a) WTO will see that all the rules and regulations decided by the WTO (Uruguay Round) must be administered and complied by all the signatory nations.
- b) The WTO will also do the role of facilitator for the consultations between and among the different countries fall under the jurisdiction of WTO rules.
- c) The WTO will also administer the “Trade Review Mechanism”.
- d) The general council of the WTO will supervise the regular work and monitor the regulation related to goods, service and TRIPs (Trade related intellectual property rights).
- e) The general body also acts as settlement body which tries to solve the trade related disputes between or among countries.
- f) The general council also makes the different councils like goods council, service council and TRIPs.

WTO and developing countries like India.

There are certain advantages to the developed countries because of their technical and structural capabilities and WTO conditions and rules regulations are giving bigger pie of world trade to the developed countries. One way developed countries have more superior technologies and other way they want to keep it with them only by intellectual property rights. There is an argument that these technologies come from the years of research and capital investments so it can't be given. The modern economic system is based on efficiency and many types of capital goods like machines and technology is required, many LDCs (Low developing countries) can't afford to buy it or buy in large quantities. For e.g. there are barely 4-5 countries in the world which have the technology of making aero engine core and these technologies they will never pass to the other country even if they want to pay for it.

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It is true that WTO term and conditions are presently beneficial for the developed nations but once the developing countries built their capabilities in certain sectors they can also take the advantage of it, as China is taking advantage of producing manufacturing goods at cheaper price and India is using tool of IT industries to have bigger pie of that particular sector in the world.

There are many other sectors like agriculture, textile where many issues have divided developed nations and developing and low developed nation on different camps. There are issues related to agriculture subsidy which most of the countries want to continue with many of the countries decline to slash because of poor condition of their farmers, artificial price reduction and market denials.

Many times political parties and some other people have voiced against the WTO and suggested to opt out of it but that will create problems for India at a time when it can take increasing benefits of WTO. India if leave WTO will have to ink the Trade pact with all of the countries bilaterally or multilaterally which is cumbersome process, India will have to negotiate with each country or group differently and will have to indulge in long negotiations. This will take long time and till that time trade will remain affected.

India so has choose to remain in WTO and worked to gain more exports in the rules and regulations framed by WTO. India by own national legislation supports the compliances passed by the WTO and trying to expand market by increasing competitiveness and efficiency with some new field for exports. E.g. TRIPs.

Check your progress 3

Foreign companies can middle or interfere in the political structure of the host countries which can be dangerous for the host country.

- 1) (True / False)
- 2) Foreign portfolio investment is _____.
 - a) Long term b) short term
 - c) Profit oriented d) both b and c.
- 3) The main difference between GATT and WTO was the legal power enjoyed by WTO and not by GATT. (True/False)

4.4 Let Us Sum Up

The GATT turned WTO has more powerful measures to comply the rules made by the WTO. The WTO is going to be more beneficial for India as India will expand markets, efficiency and as India will come into more fields as now government of India has decided to increase the export of defense equipment. The ISRO (Indian space research organization) is launching satellites of many countries including advanced countries like US. Which shows the efficiency and trust factor in Indian technology, so these are some new areas where India should reach out to the world market and expand its footprints.

4.5 Answers for Check Your Progress

Check your progress 1

- 1) TRUE.

Check your progress 2

- 1) FALSE.

Check your progress 3

- 1) TRUE
- 2) d (both b and c)
- 3) TRUE

4.6 Glossary

CPEC: - This is a Chinese funded huge project from the Chinese northern states to Pakistan's Gwadar port. The project include establishment of railways, roads, power stations and other infrastructure projects. The biggest reason behind this project is China's weak position in Indian ocean , as China has to pass from Malacca straits which narrow and can easily chocked, most of the Chinese trade passes through this narrow strait. Moreover the distance from South China Sea to Gulf countries is much more compare to this new CPEC route. The total investment projected under this project is 60 to 80 Billion US \$. The actual figure is not known even to the Pakistan's National assembly citing national security issue. This project is a part of China's One Belt One Road Project. India has not become the part of this project because CPEC passes through POK and India considered this project as issue of sovereignty.

4.6 Assignment

1. Explain the trend of FDI in India from 1991 to present.

4.7 Activities

1. Read about the few cases of positive and adverse impacts of FDI in any country and make small note on it.

4.8 Case Study

1. Discuss the cases of India and US against each other in WTO.
2. Read about the joining of India in Wassenaar Group.
3. Read about the joining of India in MTCR. (Missile Technology Control Regime).
4. Read about the joining of India in Australia group.

4.9 Further Readings

- 1) Confessions of an economic hit man by John Perkins. 2004.
- 2) A century of foreign investment in the third world by Michael J Twomey. Routledge Publications.2005.
- 3) Foreign direct investment (FDI) in India by Niti bhasin. New Century Publications, 2012.

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- 4) WTO and India Edited by Anil kumar Thakur and Nageshwar Sharma. Deep and Deep Publications 2007. Indian Economic Association.
- 5) Business Environment by Francis Cherunilam 20th ed, Himalaya Publishing House.
- 6) Indian Economy by Gaurav Datt, 70th ed, S. Chand Publication.
- 7) Indian Economy: Performance and Policies by Uma Kapila. Acedemic Foundation. 2011.

BLOCK SUMMARY

This block will give you the basic historical and bit critical idea about planning in India, agricultural problems and critical situation of India in 1965 and subsequent green revolution, policy regarding industry with past policy comparison, disinvestment and privatization process in India. Historical and critical examples also have been given as an when required to explain these concepts.

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BLOCK ASSIGNMENT

Short Answer Questions

1. What is NITI Ayog?
2. Give once reason why agricultural sector is important to India?
3. What is disinvestment and privatization?
4. What is industrial policy?
5. What was MRTP act?

Long Answer Questions

1. Do the critical analysis of planning process in India?
2. List the factors which helped India to achieve agricultural independency ?
3. Discuss Features of Industrial Policy?

Enrolment No.:

1. How many hours did you need for studying the units ?

Unit No.	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any Other Comments

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**Dr. Babasaheb
Ambedkar
Open University**

BBAR-301

BUSINESS ENVIRONMENT

BLOCK-4 SOCIETY AND INDUSTRY - INDIAN AND GLOBAL TRENDS WITH CASES

UNIT 1

SOCIAL RESPONSIBILITY OF BUSINESS

UNIT 2

CONSUMERISM

UNIT 3

INDUSTRIAL SICKNESS

UNIT 4

INDUSTRIAL RELATION AND WORKER'S PARTICIPATION

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**BLOCK 4 : SOCIETY AND INDUSTRY - INDIAN AND GLOBAL
TRENDS WITH CASES**

Block Introduction

This block will give you the basic information about the concept of social responsibility of the business towards the society. There are many reasons why business sustains and the support of society is crucial, so business must repay directly and indirectly remove getting from business. The unit will also talk about the role of various stockholders and business has responsibilities to manage and give appropriate returns to all the stockholders. The basics of social audit is also explained in the first unit.

This unit will also discuss the concept of consumerism and consumer rights. This is a relatively new concept. As the complications for the consumers has been increased, the choices have been increased so the problems have been increased for the consumers and so the rights and responsibilities of the consumers have been increased. This unit will give ideas about that.

The concept of Industrial sickness and Trade union have also been discussed with basic sense. The topic which is related to it is worker's participation in decision making and industrial relation and disputes. All these topics have been discussed in basic sense.

Block Objective

After learning this block, you will be able to understand:

- To know about the planning process, its success and failures.
- To know the social responsibility of business.
- To study the basic concept of social audit.
- To study the basic concept of consumer's rights and consumerism.
- To know the basic concept of industrial sickness and Trade Unions.
- To know about the Worker's participation in management.
- To know about the Industrial relations and disputes among the industry.

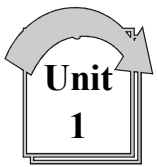
Block Structure

Unit 1: Social Responsibility and Social Audit

Unit 2: Consumerism and consumer's Right

Unit 3: Industrial Sickness and Trade Unions

Unit 4: Worker's Participation in management and industrial relations



SOCIAL RESPONSIBILITY OF BUSINESS

: UNIT STRUCTURE :

- 1.1 Learning Objectives
- 1.2 Introduction
- 1.3 Social Responsibility of Business.
- 1.4 Social Audit
- 1.5 Let Us Sum up
- 1.6 Answers for Check Your Progress
- 1.7 Glossary
- 1.8 Assignment
- 1.9 Activities
- 1.10 Case Study
- 1.11 Further Readings

1.1 Learning Objectives

After learning this unit, you will be able to understand:

- Concept of Social Responsibility of Business.
- Concept of Various Responsibilities of Business towards stakeholders.
- Concept of Social Audit

1.2 Introduction

This chapter will discuss what more firms, industries and all other variables which are working with the society, with the help of society so this is moral responsibility of the business to give back to the society. There are many stakeholders for the business and they all provide support to the business, it is all mutual understanding of various stakeholders to exist in the society.

There are moral responsibilities of business towards the consumers to provide better goods and service and even after sales services, so that consumer must remain satisfied.

There are responsibilities towards shareholders which are most important part of business, their main goal is what return they are getting from their investment, this must be take care of so that the business must remain in the higher investment spot of investors.

There are other stakeholders also like Government and its policies, foreign exchange regulation, foreign governments and population etc. every stakeholder which is in receiving end want that business must do some social contributions and every providing hand must take care of this thing.

1.3 Social Responsibility of Business

Meaning

The social responsibility of business means that what business does more than what law has directed to do for the Society. This shows that it is more than legal obligation of the business. This is not compulsion but an ethical voluntary work of the business.

The business do not work in isolation, there are many stakeholders from the society some are directly related with the business and many which are not related are also indirectly connected with the activities of the business. The shareholders, consumers, suppliers and the resources used and local community all are part of this business. In the twentieth century no business can be sole private business it is directly connected with the workers, management, consumer of the local communities, government and all unions are also part of business.

The Classical and Contemporary Views

There are two views on social responsibilities. One is classical view and another is Contemporary views. The Classical views says that business is for economic activities not for Non-Economic activities.

So the only responsibility of the business is to increase the profit of the business to Business is in the market and under established law.

The contemporary views are different, according to them business is a part of society and remain under the defensive umbrella of the society and has important obligations to serve society. There are many cautious voices which wants to define that business should cautiously approach in terms of social responsibilities. The suggestions for the business in terms of social responsibilities are as follows

- 1) The direct stakeholders are more important and meeting their expectations are first priority. Then business should also think about social responsibility.
- 2) The profit is the most important priority for the business.
- 3) The long run objective of the business must be the all-round welfare of the society.
- 4) The extent to which business has power to influence society that will be the limit to do welfare of society by the business.
- 5) The social responsibility is related to the magnitude and the size of the company and the industry.
- 6) The business should take only those social responsibilities in which business has understanding without understanding business should not take any social responsibility.
- 7) Business must take some social burden to compensate the negative external effects produced by the business.

Factors affecting social Responsibility of business

- 1) Top Management: - Top management is the most important factor which takes the lead in terms of decision to take social responsibility and the extent of the social responsibility because when it comes from the highest level there are implementation advantages on the said decisions.

Case 1)

The Tata Iron and steel Company is the best example in India for the social responsibility, the company established by Jamsed ji Tata. In his letter to his son Dorabji tata he mentions “Be sure to lay out wide streets planted with shady trees, every other one of the quick varieties. Be sure there is plenty of space for lawn and gardens. Reserve large areas of footballs, hockey and parks. Earmark areas of Hindu temples, Mohammedan mosques and Christian churches”

This was the company who first went for the social audit when the concept of social audit was very less known even in the world in 1970.

Case 2)

Robert Owen in the UK bought the textile mill in Scotland so that he can Social responsibility of Business. conducting the experiments on business practices, after purchasing the mill he incorporated many socially responsible measures for the betterment of the workers working there. He created a fund for sick people who were working there, denied the child labour system, he provided the services of bank and a store on reasonable prices and lastly he started the “ Institution for the formation of character” for both children and adults to educate them on what should be the character of socially responsible person?

Case 3)

George Cadbury the son of chocolate maker John Cadbury created a model village for the benefits of own workers, where many of the services were given by the company itself for the betterment of the worker and they also appreciate the efforts of their bosses.

Earlier the model of the social responsibility was driven by the top bosses or from the top level, there was no demand from the other stakeholders for their own betterment or any social responsibility but now in the 21st century the social responsibility model is totally different which is now driven more by stakeholders and also by the top management or bosses.

- Board of directors or partners or Joint companies of foreign countries: - The thinking of board of directors towards social responsibility is also very important influential variable affects the working of the company and the social responsibility policy.

Case 4)

Energy giants Total and Chevron are propping up Myanmar’s junta with a gas project that has allowed the regime to stash nearly five billion dollars in Singaporean banks, a rights group said Thursday. France’s Total and US-

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based Chevron have also tried to whitewash alleged rights abuses by Myanmar troops guarding the pipeline, including forced labour and killings, two reports by US based Earth Rights International said. The group urged the international community to exert pressure on the two companies, which have long managed to avoid Western sanctions against the generals who rule the impoverished Southeast Asian nation.

“Total and Chevron’s Yadana gas project has generated 4.83 billion dollars for the Burmese regime,” one of the reports said, adding that the figures for the period 2000–2008 were the first ever detailed account of the revenues. “The military elite are hiding billions of dollars of the peoples’ revenue in Singapore while the country needlessly suffers under the lowest social spending in Asia,” said Matthew Smith, a principal author of the reports. The junta had kept the revenues off the national budget and stashed almost all of the money offshore with Singapore’s Overseas Chinese Banking Corporation (OCBC) and DBS Group (DBS), the watchdog said. “The revenue from this pipeline is the regime’s lifeline and a critical leverage point that the international community could use to support the people of Burma,” added Smith, the group’s coordinator for the country. But Chevron said related development projects had helped local communities.

“We believe that Total’s health, economic development and education programs, which we support, are critical and substantively make positive improvements to the lives of the people in the Yadana project communities,” a Chevron statement said. Total questioned the accuracy of the reports. “An initial reading has already enabled us to identify inaccuracies lack of precision or mistaken interpretations,” Total vice-president Jean-Francois Lasalle told AFP. He added the rights group “at no moment recognizes the benefits of our presence, notably in the areas of education and health”. Total and Chevron are two of the biggest Western companies in Myanmar and have recently come under fire for their dealing with the regime, following the extension in August of the house arrest of pro-democracy icon Aung San Suu Kyi. Total has been able to continue working there because EU sanctions against the country currently only cover arms exports, wood, minerals, gems and metals. US lawmakers in July 2008 dropped plans for sanctions that would have ended tax write-offs enjoyed by Chevron and would have pressured it to pull out from the Yadana project. Total has been a major investor in the Yadana project since 1992, holding a 31.24 percent stake. Chevron has a 28 percent stake in the field, production from which represents 60 percent of Myanmar’s gas exports to Thailand. Earth Rights said that as a result of the hidden revenues, Total and Chevron were a “primary reason” why international and domestic pressure on the Myanmar military regime had been ineffective for decades.

This case clears how social responsibility is many times used by many companies all over the world to mask their actual intentions and only concentrate on the profit without seeing any moral or legal violations.

Society Factors: - Social characters of the society is also influential on what a company can do in terms of social responsibility. Suppose if very resourceful company is established nearby very poor locality so they will expect certain different types of social responsibilities such as health, education etc. If the resourceful locality is nearby they will desire different types of services and amenities from the company, so the types of social services depends on the type of locality nearby.

Government and Laws: - Government controls and laws are important factors determining what you can do and what not even in terms of social responsibilities. The laws which can be prohibiting one particular thing may not be banned in other countries, Anti-trust legislation, unfair trade practices are commonly prohibited in all countries but with certain differences in the degrees. Any foreign firm or even indigenous firm should not try to control the authorities through unfair practices.

Political Influences: - Political influence from the various stakeholder groups of the society are also important to influence the social responsibility of the companies. NGOs (Non-Governmental Organizations) are also sometimes taking important role in the making of and controlling the social responsibility of the companies but sometimes many NGOs operated from the inside or outside of the country influence wrongly the local population against the schemes of government and become the tools of foreign powers. This should not be done.

Competitors: - The social responsibilities are influenced by competitors also. Social responsibility of Business.

When other become more active with the society and it produces positive results others also follow the same and try to out maneuver each other by doing more social responsibility works. Sometimes competitors expose each other by their bad tactics so the bad impression about particular companies can be created.

Ethics driven companies: - some companies have the rule based ethical decision making top bodies which always takes ethics and quality with them, this can be termed the example of self-control. The Tata Tisco Company is the one example of this kind.

Responsibilities of the business towards the different sections and stakeholders.

Responsibility to shareholders

There are many responsibilities of any company, industry towards the all direct and indirect stakeholders. To protect the interests of the shareholders and employees, “the primary reason of a company is to stay in business”. To provide the appropriate returns to the shareholder is the main task of the firm.

Hence, it should develop and improve its business and build up and it must be economically sound, earn fair profit to give returns, the company should earn sufficient profit. Even in the hard times they should first give priority to

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the shareholders. The financial condition of the company in this dynamic world must remain sound so it can sustain in the competitive world. Doing invention and progress, the company should consolidate and improve its position and help strengthen the share prices.

The shareholders are also want to see that their investment must be protected but also they think that it is the question of the image of the firm. The company matters are the prestigious matters for the shareholders- a question of image.

Responsibility to employees

There is another important responsibility of business towards the employees because they are the main pillars of the organization. Their co-operation should remain important and the relation between employee and employers remain smooth there are some responsibilities of company towards employees.

The responsibility of the organization to the workers include:

- 1) The payment of appropriate wages.
- 2) The facility of the safe working conditions
- 3) Provision of the best possible labor welfare policies.
- 4) Provision of the proper training and safety measure for the employees.
- 5) Provision of the appropriate appreciation and promotional policies.
- 8) Opportunities for the employee's participation if they are able to do so.

Case: - 5)

The case describes the maltreatment of employees and sweat shop conditions in Nike's Asian factories. In many Asian countries, Nike violated local labour laws. According to the Vietnam labour watch, Nike did not pay the minimum wages, did not provide proper working conditions, and did not take adequate health and safety measures. In addition, Nike turned a blind eye to child labour and sexual harassment in its factories. Though the company has taken some measures to improve the situation, it has failed to improve the working conditions and put an end to the ill treatment of its employees. On 17 October 1996, CBS News ran a 48-h program covering the inhumane treatment of workers by their supervisors, the payment of wages below the legal minimum wage, and the sexual abuse of several women workers at Nike's shoe manufacturing plants in Vietnam. Workers had been physically assaulted on the job. Temporary workers were paid, on an average, 20 cents per hour, while team leaders were paid \$42 per month; regular workers were paid even less. The CBS news program aired interviews with team leaders and even showed a copy of a labour contract to substantiate its claims. On March 14, 1997, Reuters reported that 56 women were forced to run around one Nike factory. Twelve of them went into shock, fainted, and were taken to the hospital. As a result of these reports, a group of Vietnamese Americans contacted labour groups and journalists in Vietnam. A group called Vietnam Labour Watch (VLW) was organized to study the working conditions of workers at factories in Vietnam and monitor Nike's labour practices on an ongoing basis. VLW visited Nike's factories in Vietnam and met workers, shoe manufacturing executives, labour union representatives, and legal experts. By late 1997,

VLW came out with a report that accused Nike of violating numerous labour laws. According to the report, Nike did not pay the minimum wages, did not provide proper working conditions, and did not take adequate health and safety measures. In addition, Nike turned a blind eye to child labour and sexual harassment in its factories. The report also observed that there was a difference between the practices in

Nike's factories in Vietnam and what Nike told American consumers about its labour practices. Analysts said that in spite of its good image in the USA, Nike was a very different company in Vietnam and other Asian countries. The sweatshop conditions in Nike's Asian factories were confirmed by several leading newspapers and journals including The New York Times, USA Today, The Wall Street Journal, AP, and Reuters. However, Nike had repeatedly claimed that it did not tolerate worker maltreatment in its Asian factories. The company had developed and published both a "code of conduct" and an agreement with its Asian subcontractors, setting out the company's position on wages and working conditions.

Responsibilities towards Consumers

The ultimate buyer of all the goods and services, the ultimate person for whom Social responsibility of Business. all are making their efforts, the source of income for all the stakeholders and the ultimate source of knowing the company impression must remain at the center point of the all policies (only good) run by the company to make fair profits, to market or promote goods and services, while giving information about the goods and services, a company must remain honest and do the best for the welfare of the consumers so there are some responsibilities of the company towards the consumer.

- 1) Increase efficiency and try to keep price low with good quality goods and services.
- 2) New, better goods and service with smooth supply and service must be insured.
- 3) There must be no side effects on the purchaser or the user.
- 4) Information must be provided clearly, appropriate, and understandable way without any kind of misleading marketing.
- 5) the most important thing is satisfaction of the consumer. That should be delivered.

Responsibility towards Community

A business and company also has a responsibility towards the community near which they thrive. The community is important support for the growth of the any company or industry. So there are some responsibilities of business towards the community.

- 1) To protect the environment and maintain the cleanliness for the benefits of the community.
- 2) Helping community for their total development.
- 3) Maintaining efficiency and using less resources of the community.

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- 4) Helping community in terms of research and development and R&D.
- 5) Helping and taking out the poor communities.
- 6) Contributing in all national development, social and educational fields.

Check your progress 1

- 1) Profit is not the main reason for doing business. (True / False)
- 2) Business should only do social responsibility which is under the capacity of the business. (True/ False)
- 3) If the business itself takes initiative in taking care of workers, marginal productivity of labours will increase. (True / False)
- 4) The contemporary view of social responsibility put direct stockholder's interest first and then gives the preference to social responsibility. (True/ False)
- 5) Tata was the first company doing social audit in India. (True/False)

1.4 Social Audit

Social Audit Meaning

The importance or the need of social audit is to measure the works of the companies in terms of social welfare of the society. The aim of social audit is to identify the working style and works of the companies which do impact on society.

The social cost benefit analysis, gain and loss barometer for the society, and to measure it.

To amplify it to the customers, to the shareholders and every interested party of the company so that it can be marketed or informed that this company is doing for the society.

Methods of social Audit

- 1) **Social Process audit:** - this audit is also called Programme management audit which in short says that company first define the work field where it want to work and what to work? Then the cost and benefit analysis of that work and feasibility also. Then the management or monitoring of that work being done by the company and lastly to see whether these goals have been met or not.
- 2) **Financial statement audit:** - This is complicated social audit like financial audit. This is presented in a way of balance sheet as financial statements are usually kept for the record.
- 3) **Macro-Micro social indicator audit:** - micro indicators means the goals of companies or the work done by the companies (health, safety, education, housing, accidents, pollution control measures, etc.) are how much going with the macro indicators which are major goals or policies set by the country or the government.
- 4) **Constituency group audit:** - this is like political constituency satisfactory test. In this audit needs and preferences of the every stakeholder of the company is collected and then it is compared with

the work done by the company and evaluated what have been done for every stakeholder.

- 5) **Partial social audit:** - this audit just measures the particular aspect of the social work done by any company. Energy conservation etc.
- 6) **Comprehensive Audit:** - this audit type measures full performance of the organisation with social audit.

Problems in measuring social audit

- 1) Its new concept and yet to take off in the studies.
- 2) No clarification is made as what to be included in social audit? and what not to?
- 3) There are many activities, which cannot be evaluated instantly, or evaluated qualitatively but cannot be converted into monetary terms like national income calculation.

Conclusion: -

The business cannot be done in the isolation, there are various stakeholders in the business and each and every stakeholder must be satisfied and can have their fair share of own in the business. There must be common understanding in the business that there are some stakeholders which are most important for the development of the business. The consumer must be the utmost priority for any business and welfare of society. The materialistic progress must be there but moral and ethical aspects must be there in the business because those companies who had compromised with these aspects had lost own existence.

Check your progress 2

- | |
|--|
| 1) Social Audit is to be done to measure the gain and loss in terms of social benefits and loss. (True/ False) |
|--|

1.5 Let Us Sum up

This unit shed light on the different aspects of concepts of social responsibilities of business, this shows some basic understandings as business and society go hand with hand and both survive on each other, so the business should take care of social responsibilities also. There are various stakeholders with various expectations from the business and they are also part of society but sometimes the interest of larger chunk of society contradict the interest of some people directly related with business and these types of situations creates challenges for the business to handle so it's really tough for any business to satisfy the expectations of all the stakeholders but that's the way to make more successful business environment.

1.6 Answers for Check Your Progress.

Check Your Progress 1

- 1) False.
- 2) True.
- 3) True.
- 4) True.
- 5) True.

Check Your Progress 2

- 1) True.

1.7 Glossary

- 1) Antitrust legislation: - A legislation which are specially created, not to allow any Company to create absolute monopoly or any such power.

1.8 Assignment

1. What are the social responsibilities of business state with examples?

1.9 Activity

Search and make short notes on how business social responsibilities do?

1.10 Case study

Read the cases from the books mentioned in the Bibliography.

1.11 Further reading

- 1) O. C. Ferrell, John Fraedrich, Linda Ferrell - Business Ethics_ Ethical Decision Making & Cases, 10th Edition (2015)
- 2) William H. Shaw - Cengage Advantage Books_ Business Ethics_ A Textbook with Cases -Wadsworth Publishing (2010)
- 3) Francis Cherunilam – Business Environment_ text and cases, Himalaya Publishing house, 26th ed. 2017.
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- 5) W. Michael Hoffman, Robert E. Frederick, Mark S. Schwartz - Business Ethics_ Readings and Cases in Corporate Morality-Wiley-Blackwell (2014). (For cases also)



CONSUMERISM AND CONSUMER RIGHTS

: UNIT STRUCTURE :

- 2.1 Learning Objectives
- 2.2 Introduction
- 2.3 Consumerism
- 2.4 Consumer's Rights
- 2.5 Let Us Sum up
- 2.6 Answers for Check Your Progress
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- 2.8 Assignment
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2.1 Learning Objectives

After learning this unit, you will be able to understand:

- Concept of Consumerism.
- Concept of Consumer's Rights.

2.2 Introduction

This Business is thriving and GDP of most of the leading countries is increasing by the time, goods and services are increasing and the product differentiation is also increasing, the main economic problem of Choice is making life of people more comfortable but also more confusing, many questions are unanswered, many consumers are cheated, they don't know where to go and what to say? Many consumers in developing countries are seeing new things of western worlds. They are using it, e.g. ATM but they don't have proper information, they don't know if in a problematic situation what to do? There is lack of information and education in the developing countries. The speed of reaching goods and services to the less known community is more than the speed of reaching information regarding those goods and services. So somewhere is a problem, information is not reaching or intentionally not given, Consumerism is the solution for all these problems.

This unit will give you the basic idea of consumerism and rights of consumers.

2.3 Consumerism and Consumer Rights

Meaning

The word consumerism first came into existence in 1960. This was going to pose a challenge to the companies in the world market.

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Consumerism can be said as consumer force intended to defend consumer interests in the market by shifting the consumer pressure on the companies in the market. Consumerism is an objection of buyers on the wrong business practices. E.g. wrong branding, fake goods, insecure goods, obsolescence of goods, contamination, fabricated pricing, making groups and collusion and charging higher prices from the consumers, misleading packaging, false and misleading advertisements, faulty assurances, black marketing, wrongdoing in the measurement and weightage measurement.

Consumerism pose the threat to the basis of free market structure. The demands of the consumer must be respected in the free market economy. The political and judicial means must be used for the removal of these wrong doings. E.g. laws for removal of these wrong doings.

P. Drucker explains that consumerism defies four significant aspects of marketing field

- (1) It assumes that buyers know their needs.
- (2) It is also assumed that market or business knows what buyer want?
- (3) This was also assumed that business provides all the suitable information about the goods and services.
- (4) It is also assumed that the provided goods and services satisfy the needs of consumer and the company promises also but it is not always necessary.

Consumerism covers the following areas of consumer dissatisfaction and remedial efforts:

- 1) The struggle and dissatisfaction between consumer and sellers in market must be removed and both must behave rationally. The sellers should not go ahead with the wrong depiction of their goods and services just to sales in the market, the customer satisfaction is the core of the market, weather consumer is dealing with profit making organisation or non-profit making organisations, consumer must not face situation where it creates doubt over the goods and services of any kind. The wrong intentional pricing policies and depiction is the main point which consumerism defies and targets.
- (3) In modern times the consumer in many modern developed and developing nations considers the quality life as an important factor and how to maintain environment and keep it healthy for the coming generation is also a point of consumerism.

Consumerism is the public demand both for improvement in the way marketing works to make them more informed consumer, more responsive consumer, more sincere in buying preference, more honest and more effective, and concerned for every type of consumer related goods and service other than private goods and service provider.

Consumerism and its Protection

The idea of consumer supremacy and choices are limited to what sellers and their marketing tactics show to them and lead them in the way they want to.

It has been observed most of the time while asking students about the introduction of new goods, their uses, advantages is always shown by sellers, goods and services are most of the time never demanded by the customer it is always shown by the seller, consumerism must concentrate on this aspect.

In India consumers are facing many problems related to goods and services and specially related to essential goods and service. The difference in the demand and supply has increased the level of artificial scarcity and profiting, this hurts the soft belly of consumers.

The Indian consumers are unfortunate in terms of level of competition which is ultimately costing their pocket more compared to other countries buyers of the same thing. The Mobile internet market was one such field where Indian consumers have ended paying with heavy prices. After Jio entered into market with the practice of predatory prices which forced some companies to leave market because of cut through competition and remaining companies will have to get down with their prices much lower than what they were charging earlier.

Many new goods and services which are common in many advanced countries are rare or much less accessible in India. There are less varieties or options available for the Indian consumers, many sites which even practice differentiation by the consumer originated from which part of the world so that many goods sold on international sites cannot be seen or purchased on regional sites or sites specially made for particular country. E.g. Amazon.in or Amazon.com.

The justice system and the grievance compensation systems in India are cumbersome and full of tactics which are going against the will of consumers who seeks justice.

Day by day the graph of consumer movements have increased which shows that still business has not reached the level where they can satisfy the consumer. Drucker says that consumerism is “product-oriented marketing.” Consumerism will be terminated automatically or will be useless if business honestly practices marketing concept, viz. customer-oriented marketing philosophy.

Why do we need consumerism?

Consumer choice is affected by mass marketing means using very advanced ways of persuasion. The consumer exactly cannot know whether drug preparations meet minimum standards of safety, quality and efficacy. He usually does not know how much is the nutritious value in the food prepared by restaurants and how do they do it; whether the performance of a product will in fact meet his standards or said specifications, all these things are important while doing marketing.

1. Protection of the consumer in the case of using goods and services which are dangerous while using. So the safety measures must be taken care of.
2. Protection of the consumer against any wrong doings in the market.

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3. Ecological and environmental effects of chemical, fertiliser or refinery complexes will have to be seriously considered because they pollute water, air and food and endanger human life. In India 1984 Bhopal Gas Kand became controversial because of carelessness of the company union carbide, the cost cutting measures cost thousands of life of Indian citizens and most of the people remain stranded without any compensation.
4. Adequate protection of consumer public against the abuse of monopoly position and/or restrictive trade practices. Protection delayed is protection denied.

Responsibilities of Consumers

- 1) Be aware and ask questions about the goods and services purchased or wishing to purchase.
- 2) Social Responsibility- Consumers must be careful about the use of goods and services, their usage patterns and advantages and disadvantages on the various groups of society. This is important responsibility of every consumer.
- 3) Environmental Awareness- To be sensitive about what their consumption of goods does to the environment and not waste scarce natural resources or pollute the earth.
- 4) Solidarity- To act together through the formulation of consumer groups which have the strength and influence to promote consumer interests.

In the present world the issue of consumerism is not limited to only on some local areas or national level it has gone to the world level. The level of trade in the world needs to be studied on this topic in the context of bigger scale.

There are levels of the countries in the world on the bases of technological progress as developed nations have the superior technologies and the second or third line of the technology is in the hands of these underdeveloped countries which are victims of negativity of limitation of these technologies, nobody does transfer the superior technologies because it steals their market, as India is searching the jet engine technologies since many decades, fly by wire technology ultimately developed by India only no country helped India and there are many more cases, transfer of full technologies are rare.

The United Nations has adopted a set of universal recommendations for consumer protection.

These cover seven areas:

1. Physical security.
2. Upgrade and protect of consumers' monetary interests.
3. Quality standards for the security and quality of consumer goods.
4. Delivering facilities for essential consumer goods and services.
5. Awareness programmes for the consumers.

The aim of these advisories were well described by the United Nations Secretary General in his 1983 report — 'The draft guidelines represent an

initial attempt to create an international framework within which national consumer protection policies and measures can be worked out. They are also intended to assist the international community in its consideration of the question of consumer protection policy and to further international co-operation in this field.’

Check your progress 1

- 1) Consumerism supports the assumption that buyers know their needs. (True / False)
- 2) Business can practice the cartelisation and artificial scarcity. (True/ False)
- 3) More competition is good for consumers. (True / False)

2.4 Consumer’s Rights

Rights of Consumers

- (1) The right to safety
- (2) The right of Information
- (3) The right of Choice
- (4) The right to be listened

1) The Right to Safety

When a consumer is purchasing any kind of goods or services it must be safe. Many times research has shown that some goods regarded safe once have found some or many hazardous effects on the health or the environment or the future generations in general.

There were many goods which earlier were not understood as harmful now they are regarded as harmful, there are many medicines which are banned in developed countries but generally sold in underdeveloped countries, DDT was once used in ample quantity now it is not in used in many advanced countries and others. CFC was once used much more for cooling appliances like refrigerators now after knowing it’s very bad effect on Ozone layer it has been banned.

2) The Right of Information

The right to be informed has important place as – it includes false or misleading advertising, insufficient information about contents in products, inadequate information on how to use products and operating instructions, and information which is misleading about pricing or credit terms etc.

Any seller should take benefit of every opportunity to communicate with purchaser and to inform them about the advantages and characteristics of the product offered. There cannot be protection for seller on the argument that consumer did not read the instruction well. This must be communicated very well.

3) The Right of Choice

The consumer has the right to choose and, of course, marketing does try to influence that choice. But, in most western markets competition is encouraged and products should not confuse consumers.

(4) The Right to be listened

The right of free speech is present in all western countries and many eastern countries which believe in democracy. Though, do organisations listen to consumers? In a well-focused marketing organisation such feedback should be encouraged, and it should be treated as a key input for the future. This right allows consumers to express their views after a purchase, especially if it is not satisfactory. When anything goes wrong with a purchase the customer should expect that any complaint should be fairly and speedily dealt with.

Legal Protection of consumers in India

Protection of consumers is necessary because an average consumer is less informed and less powerful than the seller. Both voluntary measures and law can be used to protect consumers.

Anyone who buys goods and avails services for his/her use is a consumer. Any user of such goods and services with the permission of the buyer is also a consumer. Government of India has enacted more than thirty laws to improve the lot of the consumers.

Some of these are — The Contract Act 1882, The Sale of Goods Act 1930, The Laws of Torts, The Essential Commodities Act 1955, The Prevention of Food Adulteration Act 1954, The Standards and Weights of Measures Act 1976, The Monopolies and Restrictive Trade Practices (MRTP) Act 1969, Agriculture Produce (Grading and Marketing) Act 1937 and the Consumer Protection Act 1986.

Despite the plethora of laws and rules, the status of consumers in India remains deplorable. There are several loopholes in many laws. The implementation of many laws has been tardy and faulty. The enforcement machinery is lethargic and corrupt.

Consumers are ignorant of the rights and remedies available to them under different laws. Even if a consumer is aware of these laws, he does not go to the courts due to complicated, time-consuming and expensive legal procedures.

In the absence of strong consumer movement, legislation has failed to improve the lot of the consumers. Further, the various laws provide no direct relief to the consumer as the focus is on punishment to persons violating the laws.

The Consumer Protection Act, 1986 was enacted for better protection of consumers' interests. It provides effective safeguards to consumers against defective goods, unsatisfactory services, unfair trade practices and other forms of exploitation.

The law lays down a time frame for disposal of cases. It provides for simple, speedy and inexpensive redressal of grievances because no fee or other charges have to be incurred by a consumer. He can make a complaint on a simple paper without any legal or stamp paper.

Unlike other laws, which are punitive or preventive in nature, this law is compensatory in nature. It provides for three tier machinery consisting of the District Forum, State Commissions and National Commission.

The law also provides for formation of Consumer Protection Councils. These Councils are expected to promote the cause of consumer protection in every State of India through education.

The six consumer rights

- 1) Right to safety,
- 2) Right to be informed,
- 3) Right to choose,
- 4) Right to be heard,
- 5) Right to redress, and
- 6) Right to consumer education.

After an amendment in 1993, the applicability of the Act has been broadened to include paid services like medical services rendered for a charge.

The Act applies to all goods and services unless specifically exempted by the Central Government. It covers all sectors whether private, public or cooperative. The provisions of this Act are in addition to and not in derogation of the provisions of any other Act.

State Commission is set up by the State Government and its jurisdiction is restricted to the boundaries of the State concerned.

- (i) The State Commission shall consist of a President, who either is or has been a Judge of a High Court, and two other members. All the three shall be appointed by the State Government.
- (ii) Only those complaints can be filed where the value of goods/services and compensation claimed is between Rupees twenty lakhs and one Crore. Appeals against the orders of any District Forum can also be filed before the State Commission.
- (iii) The State Commission, after being satisfied that the goods were defective, can issue an order directing the opposite party to either remove the defect or replace the goods or return the price paid or pay compensation to the consumer for loss or injury, etc.

Any person who is aggrieved by the order of the State Commission can appeal against such order to the National Commission within 30 days.

Why Indian Consumer need Consumerism a lot.

1. Some goods, some of which are of strategic significance, are short in supply. Producers exploit the consumer as in the situation of additional demand, seller and not the consumer becomes the king in the market.
2. In certain products, even if there is no actual shortage, markets due to oligopoly (market with few sellers) and monopoly (market with one seller), create an artificial demand by restricting the output so that they are able to push up the price. This cartel making activities are looting more to customers in an organised way and this must not be practiced.
3. Ignorant and uneducated consumers. Lack of formal education is the

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most dangerous in every sector of the society, including in consumption. Customers are ignorant and uneducated about the market conditions and the accessibility of goods. In such situations, the marketer has a tendency to exploit the customer. The situation is really unfortunate when the even educated people turn out to be ignorant consumers. In India, there are many such cases.

4. People are very afraid of the legal procedures. People are anxious about Police and Justice System. Many consumers, to avoid legal advices and actions because of fear of losing more money and not being given the appropriate compensation within satisfactory time limits, will not exercise their rights. People are unaware of the simple procedures under the Consumer Protection Act.
5. India is a country of low and middle-class income people. Most of them fight for their “bread and butter” and their attitude is not wasting time in complexity of the justice system because they have lack of trust and some aspect of getting very less compensation or no clarification in terms of compensation is a reason for this.

All these points emphasise one feature. There is hard time and dire need of good and effective “Consumer Protection.” Such a protection will go a long way to build a healthy economy. A strong market is made up of strong supply and demand. Consumer Protection, which is the core of consumerism alone, can give necessary strength to the demand side in the market, which is generally biased in favour of the supplier. To strike a balance in the buyer-seller relation, “consumer protection” plays an important role.

To have an effective consumer protection, a practical reply on the part of three parties, viz., the business, the Government and the consumer, is essential. Firstly, the business, comprising the producers and all the elements of the distribution channels, all have to give due importance and regard to consumer rights.

Check your progress 2

- 1) MRTP act was made to stop monopoly in In Indian market. (True/ False)
- 2) Consumption is the main aspect of today’s economy. (True / False)

2.5 Let Us Sum up

Today’s economy is run by the consumption, the GDP is based on consumption, the more the consumption and export the bigger the GDP is, there are and should be many problems associated in near future on this attitude but if we just talk about present the consumption is dependent on consumers and their rights must be protected and well managed and if not the seller or the other selling party has to leave the market. Same way consumers must also know their responsibilities and provisions to defend themselves.

2.6 Answers for Check Your Progress.

Check Your Progress 1

- 1) False.
- 2) False.
- 3) True.

Check Your Progress 2

- 1) True.
- 2) False.

2.7 Glossary

- 1) **CFC:** - Chlorofluorocarbons is a gas which harm Ozone layer used in Refrigeration and other things.
- 2) **Free market:** - A market system where demand and supply decides the equilibrium or prices. There should not be interfere in this system.
- 3) **Fly by Wire System:** - An automatic system which keeps planes on right track and balanced.

2.8 Assignment

1. What is Consumerism? Explain clearly with examples.

2.9 Activity

Search and make short notes on how business social responsibilities do?

2.10 Case study

Read the cases from the books mentioned in Further Reading.

2.11 Further reading

- 1) O. C. Ferrell, John Fraedrich, Linda Ferrell - Business Ethics_ Ethical Decision Making & Cases, 10th Edition (2015)
- 2) William H. Shaw - Cengage Advantage Books_ Business Ethics_ A Textbook with Cases -Wadsworth Publishing (2010)
- 3) Francis Cherunilam – Business Environment_ text and cases, Himalaya Publishing house, 26th ed. 2017.
- 4) Ananda Das Gupta (auth.) - Business Ethics_ Texts and Cases from the Indian Perspective-Springer India (2014). (For cases also)
- 5) W. Michael Hoffman, Robert E. Frederick, Mark S. Schwartz - Business Ethics_ Readings and Cases in Corporate Morality-Wiley-Blackwell (2014). (For cases also)



: UNIT STRUCTURE :

- 3.1 Learning Objectives**
- 3.2 Introduction**
- 3.3 Industrial Sickness**
- 3.4 Trade Unions**
- 3.5 Let Us Sum up**
- 3.6 Answers for Check Your Progress**
- 3.7 Glossary**
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- 3.9 Activities**
- 3.10 Case Study**
- 3.11 Further Readings**

3.1 Learning Objectives

After learning this unit, you will be able to understand:

- a. Concept of Industrial Sickness.
- b. Concept of Trade Unions.

3.2 Introduction

This chapter will discuss the Industrial sickness and trade Unions. Industrial Sickness is dangerous for any country because it has capability to affect the other industries in the country. There are many reasons for an industry to get sick there are reason which man made as managerial decision flows, labor issues, high input prices etc. these all causing losses for several years become sick industry. This Unit will give you basic idea about what is industrial sickness and why it happens? And how to prevent the Industrial Sickness?

The Trade Unions are representative of labors which try to solve the problems of labors, the main aim of trade unions is to make sure that labors are getting what they must get for their hard work, they must get the proper wages, salaries, proper working place and at least some social benefits from the employer side.

This chapter will give the idea about what Trade Unions must do and what should not do? Trade union have bigger responsibilities as they have thousands of people which follow their decisions and if these decisions becomes wrong the whole society gets wrong messages.

3.3 Industrial Sickness

Industrial sickness is a common problem of the market oriented economies,

the market system easily shows the problems if any prevailing in the market while in the pure socialism people continuously feel lack of goods and services, quality, option and choices are mostly absent and at last government give up and goes for the market oriented economics at least on the economic level may not be on the political level. .e.g. China is market oriented economy but political system is not democratic. So in the first case industrial sickness is very much visible while in the second case it may or may not be that much visible because of in latter's situation government supports the industry at higher extent.

Industrial sickness usually refers to a situation when an industrial firm performs poorly, incurs losses for several years and often defaults in its debt repayment obligations.

The Reserve Bank of India has defined a sick unit as one "which has suffered a cash loss for one year and is tend to making losses for the current year as well as in the following year and the unit has an imbalance in its financial structure, such as, current ratio is less than 1: 1 and there is worsening trend in debt-equity ratio." The State Bank of India has defined a sick unit as one "which fails to generate an internal surplus on a continuous basis and depends for its survival upon frequent infusion of funds."

Before the realisation of Sick Industrial Companies Act (SICA) in 1985, there was no understanding on the standards to be used to define an industrial unit as sick. According to SICA, as amended in 1992, an industrial company can be confirmed as sick which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth. It may be noted that Sick Industrial Companies Act (SICA) applies to registered companies which have been in existence for at least 5 years.

Small scale industry is called sick or weak if these conditions are prevailing.

- 1) Cash losses are equal to 50 per cent or more of its peak net worth during the last five years
- 2) It has dodged in meeting four consecutive instalments of interest.

Classification of Industrial sickness

- 1) The serious sickness which is triggered because of external or the factors which are not in the control of the owners or the promoters of the company.
- 2) The initial mistake of establishing business which was not viable though it was established so it is obviously prone to fail or become sick.
- 3) The industry become the victim of the wrong secession taken by the top management. So the company fails or becomes sick unit.

Case 1) the Failure of Kodak

Kodak, a technology company that dominated the photographic film market during most of the 20th century. The company blew its chance to lead the digital photography revolution as they were in denial for too long.

Steve Sasson, the Kodak engineer, actually invented the first digital camera

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back in 1975. “But it was filmless photography, so management’s reaction was, ‘that’s cute—but don’t tell anyone about it,’” says Sasson. The leaders of Kodak failed to see digital photography as a disruptive technology.

A former vice-president of Kodak Don Strickland says: “We developed the world’s first consumer digital camera but we could not get approval to launch or sell it because of fear of the effects on the film market.” The management was so focused on the film success that they missed the digital revolution after starting it. Kodak filed for bankruptcy in 2012. The Kodak failure surprised many.

Case 2) Failure of Wang Laboratories

There are many companies which invented new technologies but failed to market it as we saw from the above case of Kodak there is another more classical case of failures of Wang laboratories in USA.

Wang was the main trainer and also owner of this companies. Wang invented Magnetic Pulse memory technology which was essential for the digital age of the computers. He was first to realise the capability and the use of calculators in the market. His company become a 2 Billion US dollar company than was compared with IBM and more value than apple company. But Wang laboratory sold the patents of the magnetic pulse technology to IBM, in 1950 Wang sold 25% of shares to a machine tools company in just 1.5 Million US \$, later he wrote and retreated on this decision. This company put the competitive computer in the market against the no 1 company IBM but his hatred towards IBM made him to make wrong decision, he was famous for keeping a chart in his coat always which showed when Wang will replace the IBM. This was a fatal decision of Wang Laboratories and it did not adopted a flexible business just to remain in the market.

Case 3)

One highly successful company that failed? Nokia, a company founded in Finland was the first to create a cellular network in the world. In the late 1990s and early 2000s, Nokia was the global leader in mobile phones.

With the arrival of the Internet, other mobile companies started understanding how data, not voice, was the future of communication. Nokia didn’t grasp the concept of software and kept focusing on hardware because the management feared to alienate current users if they changed too much.

Nokia’s mistake was the fact that they didn’t want to lead the drastic change in user experience. This caused Nokia to develop a mess of an operating system with a bad user experience that just wasn’t a fit on the market.

The company overestimated the strength of its brand and believed they could arrive late in the smartphone game and succeed. In 2007 Steve Jobs launched the iPhone, a phone without a keyboard, which was revolutionary at the time. Really, watch the video and listen to people losing their minds the first time they watch someone using a touchscreen. In 2008 Nokia finally made the decision to compete with Android, but it was too late. Their products weren’t competitive enough.

Why companies get Sick? (Reasons)

There can be many reasons for companies going sick at different stages of development. We can classify the reason as bellow

A) Sick by Inception: -

These are the institutions which are sick by birth because of various reasons. These are the factors which are responsible...

- 1) Less experience, selection of wrong project, the lack of planning, these are few reasons why companies fail.
- 2) Planning regarding funds is very important task, company's fail because of lack of funds or wrong investment decisions or investing funds in a field where it was less required and investing less where it was more required. This is common mistake for new start-ups.
- 3) Many times project taken by companies are complex in nature and required to maintain long supply chain for the equipment, timely delivery of these equipment is necessary for the timely completion of the project and if it does not happen the cost increases and creates problem for companies.
- 4) There are many other factors as location factors or choosing wrong places, less skilled labour, not using appropriate technologies, lack of raw materials, lack of transportation facilities or the infrastructure facilities, competition from the already existing rivals and possibly their unfair means to drive out new comer from the market and less understanding of market working etc. can be the reasons of failing of new born companies.

B) Companies become sick after a while

1) Management inefficiency

The biggest cause of industrial sickness is the managerial inefficiency. Lack of professional management or experienced management and the existence of hereditary management is an important cause of industrial sickness. Inefficient management results in inability to perceive things in proper perspective devoid of routine considerations. Inefficient management is also unable to build up good team and inspire confidence for an organised collective effort and takes autocratic and high-handed decisions. Management sometimes also do unwanted expansion without much thinking or capabilities, wrong decisions in acquisition, faulty deals, IPR cases etc.

2) Wrong choice in technologies

If the promoters use wrong technology, results are bound to be unsatisfactory. Many industrial units, especially in the small-scale sector, do not seek professional guidance in installing the correct machinery and plant. If the machinery and plant installed turn out to be defective and unsuitable, they are bound to suffer losses and become sick and non-viable.

Case 1)

The best case for choosing wrong technology is the case of GM (General

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Motors), when GM tried to do over automation of Hamtramck plant to manufacture cars which turned into disaster and many robots worked horribly wrong, many robots which were supposed to colour cars but they were doing colours here and there in the assembly line, welding robots were welding somewhere else rather than cars etc., company tries to correct this software problem many time but it re-emerged and did hefty loss to GM and the whole project of those cars overran in terms of cost and cars became costlier ultimately and sales was very less. This was one of most expensive failure in the automobile industry.

3) Wrong or ineffective marketing

The marketing techniques must be effective and should be able to convince the people that the said good has the value which has been charged or company can charge higher prices because of the quality of the good or services. Many times it has been observed that the purpose of advertisement was not achieved rather it affected negatively. Advertisements must be done in a way so the good can be matched with the beliefs, culture of the people and it should look new also but not alien to the population for whom it has been designed.

External Factors

1) Recession in the world market or in local market

Sometimes a general depression hits industrial units. This is reflected in lack of demand for industrial products in general. An overall slowdown in economic activities affects the performance of individual projects. Improper demand estimation for the products to project lands the industrial units in difficulties. The 1930 great depression, after World War II the situation of Germany and 2007-08 recession, all of these can be considered as an external factors on whom owner or management has no control.

2) Higher prices of inputs

When the costs of manufacture are high and sales realisation low, the industrial unit cannot stand in the market. The cost of inputs must be lower to gain fair profit but many time political, trade and military conflicts complicates this delicate balance. E.g. Gulf war between Iraq and US created such a situation that oil price hiked so much which created Balance of Payment Problems and Indian did LPG (Liberalisation, Privatisation, and Globalisation) because oil is a most essential raw material for the whole economy. There are many other cases like China Denied Supply of Rare Earth material to Japan on the island in The South China Sea.

3) Changes in the Government Policy

The industrial sickness is also caused by certain changes in policy designs of the government. These frequent changes affect the long-term production, financial and marketing planning of an industrial unit. Changes in Government policies regarding imports, industrial licensing, and taxation can make viable units sick. For example, liberal import policy since 1991 has rendered many small-scale industrial units sick.

What to do to save industries (Firms) from sickness?

Industrial sickness is not just a single phenomenon it has Multifood effects on whole economic system of country. The Tiwari Committee says that Industrial sickness has negative effects not only on production but also on employment then on the loss of jobs and ultimately on the consumption and lastly on the whole economy. The other stakeholders which suffers from this are financial institutions which only add into problems and make it more serious so the industrial sickness is not just a single phenomenon it is a chain reaction for the whole economy. Measures must be taken to solve this problem as soon as seen in the economy. They are as follows

1) Cooperation among the financial institutions

Since commercial banks provide working capital, they are in a position to know about the working of industrial concern. But assistance from term-lending institutions is also essential for rescue operations.

2) Government agencies role

All government agencies, both regulatory and promotional, must join hands to restore sick units to health.

Full cooperation from various suppliers, unsecured creditors and other stakeholders, particularly from the employees, is also essential to take the concern out of the difficulties in which it is involved.

Government Act 1956 and The industrial development and Regulation Act 1951 gives the power to the government to collect the data about the firms and take measures to resolve their problems and try to solve their management problems.

3) Valuation and marketing

The banks should verify on a regular basis the valuation of inventories both in terms of quantity and price. This would prevent over-borrowing on the hypothecation of inventories.

There should be well organised and scientific marketing by the project promoters otherwise launching of a project will be a leap in the dark. Good marketing arrangements will prevent industrial sickness.

4) Improving technology and labour relations

If the sick unit is to be restored to health, old and obsolete machinery and outdated technology should be discarded at the earliest.

Restrictive labour and unreasonable trade unions are great obstacles. Improving labour relations will go a long way in curing industrial sickness.

5) Make efficient management and incentives

If essential incompetent management should be replaced. The key to industrial health lies in alert and efficient management. The management should show a cool approach, patience and perseverance, courage and ability to steer in bad weather.

It is essential to offer performance encouragements to the executives and the

workers to encourage them to put in their best efforts. This will be quite helpful in curing industrial sickness.

6) Attitude of government

At the time of industrial sickness the government agencies should adopt a kind and understanding attitude so that the problem is not serious but moves towards a solution instead.

Conclusions

In view of the significant industrial illness it would be essential to form a task force consisting of competent and knowledgeable executives in various branches of business to go into the case and monitor recovery. Restoration of sick units is not an easy and simple affair. An all-round effort is necessary to root out the disease, first necessary step is the identification of sick units which can be made viable through renovation, expansion, and diversification. Units beyond recovery should be wound up.

The second step is the rebuilding of management. Where the management is reluctant or unable to play its proper role, the financial organizations and the government agencies should intervene to fulfil their large social responsibility of ensuring efficient use of national resources. Since industrial sickness is due both to external causes, e.g., general recession, and internal causes like dishonest and inefficient management, the remedy must also lie in both directions.

With a view to meeting the situation, the early warning system is strengthened. Viability studies should be undertaken to identify the sick units including creeping sickness which could be eventually restored to health with additional financial aid on liberal and easy terms. To an extent increase in industrial sickness is inevitable result of the very process of modernisation or technological development industry. It is natural that the units which cannot keep pace with the ongoing technological change will become sick, they should be allowed to wind up.

Check your progress 1

- 1) Industrial Sickness can only be seen in Market oriented Economies. (True / False)
- 2) Cash losses of 50% of net worth of a firm is a condition of sick industry. (True/ False)
- 3) The mistake of Kodak was not to take its new invention in market. (True / False)
- 4) Failures of An Wang laboratories can be attributed to wrong managerial decisions. (True / False)

3.4 Trade unions

Meaning

A Trade Union has been defined as a continuous association of workers designed for the resolution of conserving and improving their circumstances of employment.

The Indian Trade Union Act 1926 says about the Trade Union as “Trade union means any combination, temporary or permanent, formed primarily for the purpose of regulating the relation between workmen and employers, or between workmen and workmen or between employers with employers, or for imposing restriction action on the conduct of any trade or business activity and includes any federation of two or more trade unions”

So the Trade union usually refers as the organisation whose main goal is to protect the rights of the workers and make sure about their welfare. The Trade Union must take care that they are made to work well with the thousands of the helping hand in line with the trade unions and do not using that manpower to hamper the progress of the country or becoming the hand of foreign organisation.

Their aim is not merely to fight against the wage-cuts but also to fight for higher wages. A temporary organisation or a mere strike committee cannot be considered a trade union. It must be a continuous association.

Functions of Trade Unions:

1) Trade Unions and Wages:

Trade unions are formed for the welfare of the labours and workers and they will have to take care of the wellbeing of brothers in band and wages are one very important aspect in which trade unions have to negotiate with the employers. The Trade unions must demand what the labours are liable to get but over demands should not be done with the overestimations of the profit of the employers. The factories are equally important because they provides the ultimate employment to the labours. The lock downs and non-productive and destructive activities must not be done.

2) Trade union and demand for the safety

Trade union can play the pioneer place in the assuring the safety and keeping their working place workable. Trade unions can be a life saver in this aspect if the industry is not providing the appropriate safety measures to labours or workers or employees. The working condition also affect the marginal productivity of the workers if the working condition is good the production would be speedy and it will benefit every party in this game.

3) Trade union must promote the cultural heritage of the India and promote it in the work place. Trade unions must educate workers and labours for better productivity, for better understanding of the technical issues of the factories so the workers participation in the decision making can be opened for the workers and they get important place in the working environment. This will create their own identity in the industry

4) Trade unions are like the parents for the workers, they teach them, they educate them, they train them and above all they teach them how to work in discipline, this is most important aspect to solve the pertaining any problems. This also set the higher standard of quality.

Social Responsibilities of Trade Unions

The Trade unions have power to affect the working, management, decisions of the working place as well as the society also. The trade union teach labours how to live in the society also because what they teach to behave in the working place so the same will be done with the society. Trade unions should not use their strength against the welfare of the society, blockade, violent destructions, demolishing law and order situation, must not be done with hands of Trade Unions or any institution affiliated with them or under their guidance.

The Trade union must fulfil these aspects

- A) Promotion of the national integration, and national values and cultures.
- B) To help the frame socio-economic policies and be the part of nation building.
- C) To have a sense of responsibility and towards the industry and to the community.

Limitations and Problems of trade union in India

- 1) Limited say: The trade unions form a very small groups, as India is mostly driven by organisation sector as more labours are unorganised, so the Trade unions have very less say.
- 2) Small size and more numbers: the number of trade unions are increasing and already existing trade unions are breaking into other small unions. The size is the strength for the trade unions are most important and that is the deciding point that their demand will be satisfied or not, depends on the size of the trade unions. The internal problems in the trade unions, weak bargaining power and maintaining good relations becomes harder.
- 3) Political infiltrations: Political influence is not a good thing for the smooth working of the Trade Unions. Political parties see their own narrow political interests many times and does not see the national interest many times. This defies the very fabric of making the Trade Unions.

As observed by some observers about the politicisation of trade unions “The introduction of politics in to the trade union movement and its domination by leaders of political parties have shattered the unity and strength of the trade unions movement in the country. The Indian trade union movement has, therefore, becomes organisationally weak and as an institution, it may be able to effectively promote and protect the interests of the workers, unless and until the unions are scientifically management, placing the genuine economic interests of the workers uppermost in their plan of action.”

- 4) Less funds: The Indian labours have very low income so the full time working of any trade unions so who will say or who will represent the

trade union permanently? This question arises. The low income workers cannot be a part of regular subscription of the trade union.

- 5) Less education and integrity: Lack of education in the workers is the hindering factor in the growth of Trade Unions, this becomes the problem of labours to understand technical, managerial issues in the working area, and this also makes labours less inclined towards changes. Less integrity comes from the top level as the leaders use the funds, management and union properties for their personal uses which creates dissatisfaction among the lower level of the members and this creates disintegrate among the members.

Check your progress 2

- 1) Trade Unions main aim is to defend employees against any decision which decreases welfare of labors. (True/ False)
-

3.5 Let us Sum up

There are mainly three views on economic systems and mainly only two. One is market oriented system which is prone to variations of the market and industrial sickness one of the characteristics which is seen in these market, this can be seen in the countries who have adopted social system but there government takes care of everything and things does not go out from the hands of government while in the free market economy it is individuals of group of individual (Private), feels the burn of Industrial sickness. Relations between workers and employers must remain healthy and smooth, changing technological environment also poses threat to this silver line and firms must solve this problem with interaction with all stockholders including trade unions.

3.6 Answers for Check Your Progress.

Check Your Progress 1

- 1) True.
- 2) True.
- 3) True.
- 4) True.

Check Your Progress 2

- 1) True.
-

3.7 Glossary

- 1) Marginal Productivity: - how much of output has been increased by adding one more unit of labor.
-

3.8 Assignment

What are the social responsibilities of Trade unions?

Why does industrial sickness happens?

3.9 Activity

Search about the famous trade union and government struggle? E.g. Margaret Thatcher and trade union struggle in England.

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3.10 Case study

Read the cases from the books mentioned in the Bibliography.

3.11 Further reading

- 1) (Industrial Revolutions) Trevor Colling, Mike Terry - Industrial Relations_ Theory and Practice-Wiley-Blackwell (2010)
- 2) John Purcell (auth.) - Good Industrial Relations_ Theory and Practice-Palgrave Macmillan UK (1981)
- 3) Francis Cherunilam – Business Environment_ text and cases, Himalaya Publishing house, 26th ed. 2017.
- 4) Tom Barnes - Making Cars in the New India_ Industry, Precarity and Informality-Cambridge University Press (2018) (For Cases also)



WORKER'S PARTICIPATION AND INDUSTRIAL RELATION

: UNIT STRUCTURE :

- 4.1 Learning Objectives
- 4.2 Introduction
- 4.3 Worker's Participation in Management (WPM)
- 4.4 Industrial Relations and Disputes.
- 4.5 Let Us Sum up
- 4.6 Answers for Check Your Progress
- 4.7 Glossary
- 4.8 Assignment
- 4.9 Activities
- 4.10 Case Study
- 4.11 Further Readings

4.1 Learning Objectives

After learning this unit, you will be able to understand:

- a. Concept of workers Participation in Management.
- b. Concept of Industrial Relation.

4.2 Introduction

This unit will explain the basic concept of Worker's participation in business and that is only possible when labors are experienced and educated to understand the changing technological comes; dynamics and complex business system. The more educated and experienced labor the more participation in business can be achieved. Frankly very industries are interested to have more labor participation. There are some examples of industries explained below which proves that sometimes labors have saved their own companies, this unit will explain the level of participation and other labor participation in management related aspects.

Industrial relations and Disputes are important aspects to understand. The question comes; why we should study it? The answer is it does affect the strategic capability of the country. E.g. recently HAL (Hindustan Aeronautics Limited) a government owned company which manufactures and does research in the civilian and military manufacturing of planes and other sub-systems. The employees of HAL went on strike on various issues mainly because of wages, they got support of OFB (Ordinance Factory Board) workers also which again hampered the supply of ammunition to the armed forces of India which shows how serious these industrial relations are? This is just a single example but there are many other examples which shows that Industrial relations must remain harmonious and every stakeholder must be satisfied and no party should take false advantages of their position.

4.3 Worker's Participation in Management (WPM)

Definition

The concept of worker's participation in management has become very popular these days, and now there are cases where few bigger companies were rescued and managed by employees. The educated and technological advantages have given a capability that employees can run the institution or companies as they have experience from grass root level.

The concept of employee owned companies are the advanced form of the worker's participation, this concept is much older in US and many advanced countries but it has not yet taken off in India in a bigger way.

In the past if we see the very famous company Carl Zeiss was once owned and managed by the employee trust and this lasted almost more than 70 years which changed in 1991 only this was a significant example which created trust in the worker's management skills.

There are many cases of companies being sold to the employees from the single family owned business. E.g. La Ceramica was given to its employees by the Bucci family as long as 1873. This is much older case of employee ownership and management. Same was the case of John Lewis and Baxi companies.

Let us also go through some vital definitions of Worker's participation in management.

According to Keith Davis, "Workers' participation refers to the mental and emotional involvement of a person in a group situation which reassures him to contribute to group goals and share in responsibility of achieving them".

In the words of Mehtras "Applied to industry, the concept of participation means sharing the decision-making power by the rank and file of an industrial establishment through their representatives, at all the appropriate levels of organization in the entire array of managerial action".

Characteristics of Workers participation in management

1. Participation implies practices which increase the scope for employees' share of influence in decision-making process with the assumption of responsibility.
2. Participation assumes willing acceptance of obligation by workers.
3. Workers participate in organisation must not be seen as individuals but as a cluster through their representatives.
4. Worker's contribution in management differs from collective bargaining in the sense that while the former is based on mutual trust, information sharing and shared problem solving; the latter is essentially based on power play, pressure tactics, and negotiations.
5. The basic rationale for worker's participation in management is that workers participate their Labour and their fates to their place of work. So, they contribute to the outcomes of organization. Hence, they have a legitimate right to share in decision-making activities of organisation.

Objectives of Worker's Participation in Management

1. Surge in productivity for the advantage of all concerned to an enterprise.
2. Satisfaction of worker's wish for expressiveness in the matters of enterprise management.
3. Making employees better manage their roles in the organisation.
4. In ultimate sense, the objective of WPM in India is to achieve organizational effectiveness and the satisfaction of the employees.
5. Promote mutual understanding between management and workers, i.e., industrial harmony.
6. Establish and encourage good communication system at all levels.
7. Create and indorse a feel of brotherhood among labours.
8. Help handle confrontation to change.
9. Persuade a sense among workers to contribute their best for the cause of organization.
10. Create a sense of commitment to decisions to which they were a party.

The intensity of participation

Now we have known Worker's Participation so the question is to what degree workers can share in decision-making process. In other words, it is important to know the extents of co-determination in an organisation.

This way if we see, Mehtras has suggested five levels of workers' participation ranging from the minimum to the maximum. Since these levels of workers' influence the process and quality of decision making in an organisation. We are therefore highlighting here these levels briefly ranking them from the minimum to the maximum level of participation.

Informative Participation of Workers.

This shows the management's information distribution with workers on things which are directly related with labours. Balance Sheet, production, economic conditions of the plant etc., are the examples of such items. It is important to note that here workers have no right of close scrutiny of the information provided and management has its prerogative to make decisions on issues concerned with workers.

Consultative Participation of Workers.

In this type of participation, workers are consulted in those matters which relate to them. Here, the role of workers is restricted to give their views only. However the acceptance and non-acceptance of these views depends on management. Nonetheless, it provides an opportunity to the workers to express their views on matters involving their interest.

Associative Participation of workers.

Here, the role of the workers' council is not just advisory unlike consultative participation. In a way, this is an advanced and improved form of consultative participation. Now, the management is under a moral obligation to acknowledge, accept and implement the unanimous decision of the council.

Administrative Participation of Workers.

In the administrative participation, decisions already taken are implemented by the workers. Compared to the former three levels of participation, the degree of sharing authority and duty by the workers is absolutely more in this participation.

Extensive Participation of workers.

Here, the decisions are taken jointly by the management and the workers of an administration. The fact is, this is the ultimate level of workers' participation in management.

Conclusion

The concept of workers participation in management is becoming popular but there is no common understanding among the people and administration. Workers participation's aim is to include workers into the various institutional works but that is not getting very well everywhere. There are many hindering factors such as education factor because if the workers are more educated they can contribute more in the firm and if they have more technological knowledge they can contribute in top level management but if it is not then the workers cannot contribute very well in the development of firm and industry. This depends on the how much welfare of the labours have got, how much education, health, leisure, social services so that workers and their coming generations can grow. Government and society with the infrastructure development, organisational structure and resources can create a strong, very independent and multi skilled workforce.

Check your progress 1

- 1) Employee owned companies are in fashion in advanced countries. (True / False)
- 2) Worker's participation is more productive as it shows the right roles of workers in the business. (True/ False)

4.4 Industrial Relations and Disputes

Industrial Relation (Disputes) (Introduction)

Industrial disputes or the bad relation between employers and employee is a serious concern for any country. The industrial sector is interrelated and if the one industry falls its effects Multifoods and reaches to the other industries also. The industrial relations are very important and so to maintain it there is government making different laws regarding the relation between the both main parties and other stakeholders, there are trade unions which takes the charge of maintain the wellbeing of the workers in every way, there is society which decides what are the best practices for the business and as well as whole society.

Meaning of Industrial Relation

The meaning of the industrial relation is very broad but if we define the industrial relation as it is very complicated web of the relation between employees and employers, employee and employee and employers to employers and

relation of all of these three factors' relation with state and other stakeholders. The relation is not complex among these factors till the time we do not add the regulation for minimum wages for the labours, working condition, exit policies, social services and most important is when it comes to share some percentage of profit with the society, use it for the wellbeing of workers.

In the words of Lester, "Industrial relations involve attempts at arriving at solutions between the conflicting objectives and values; between the profit motive and social gain; between discipline and freedom, between authority and industrial democracy; between bargaining and cooperation; and between conflicting interests of the individual, the group and the community.

Meaning of Industrial Disputes

The Section number 2 of the Industrial Dispute Act, 1947, "Industrial dispute means any dispute or difference between employers and employees or between employers and workmen or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any person" Industrial disputes are of symptoms of industrial unrest in the same way that boils are symptoms of a disordered body.

In the industrial relation there are two words dispute and unrest these words are used as synonyms but actually they are not the dispute or the unrest is the psychological state which be the real phenomenon and it may not be the true phenomenon, while the dispute is the hard core and the based on the proofs and the facts.

Causes of Industrial Disputes

The developing countries are more prone to be victims of the Industrial Disputes because of less wages, less financial capabilities of the firm, less arranged legal laws, political problems makes more possibilities of industrial disputes.

Economic issues

1) Conflict of Interests

All the issues are emerging from this one point of conflicts of interests, can there be the change in what you want to achieve? For the labour it may be different and for the employers goal post may be different, most of the time the goals are contrast in nature.

Workers demand more wages and industries refuse this and this becomes the issue, sometimes it is genuine and sometimes it is not genuine. There are few examples of how industries fail? The best example is the textile industries of the Ahmedabad city. There were two- three main reasons for the failure of these factories. The first reason was over employment means more labour than what was needed. The second reason was no change in the technologies because of the first reason and the last reason was even though all these situation there was demand for more wages which ultimately failed these factories.

2) Wages

The demand for wage increase is the prime-most cause of the industrial disputes. A large number of strikes are being organised to raise a voice against the rise in prices and cost of living. Firms may acknowledge their demand but many times firms do not because of the fear of losing the profit ratios or they may be not in a position to increase the wages what they are paying now. These types of problem arises most in the developing and under developing countries.

Case 1)

The Maruti Suzuki conflict in 2011/12 was arguably the highest profile industrial dispute to emerge in India since the Mumbai textile workers' strike over 35 years ago. This was due, in part, to Maruti's standout role as India's largest passenger car manufacturer, and its historical role as the pioneer of the local industry's modernisation. It is also due to the ferocity and scale of the conflict, with simultaneous strikes occurring in supply firms in the region, and major disruptions to production and profits in the sector.

The immediate roots of the 2011/12 conflict lie in the workplace divisions at the Manesar facility. Prior to the dispute, Maruti management had maintained a decade-long policy of hiring new workers through numerous labour contractors who acted as labour market intermediaries. This practice was transplanted into the Manesar facility after its establishment in 2007. It divided the workforce into a core of permanent or 'regular' workers who received relatively high wages and generous employment benefits and a larger group of 'contract' workers whose employment was managed by labour contractors. These workers received lower wages and far fewer employment benefits. Tensions at the Manesar site erupted over the treatment of workers and the perception that many who work in these different employment categories were being utilised for similar production-line roles, despite large disparities in wages and conditions between regular and non-regular workers. These tensions led to demands to close these disparities, to convert the roles of many non-regular workers into regular or ongoing employment – that is, to 'regularise' workers' employment – and to form a trade union for all workers at the facility, known as the Maruti Suzuki Workers Union.

The campaign, and Maruti's refusal to bargain over several core issues, led to a drawn out process of industrial conflict: a strike in June 2011, which severely disrupted production and led to the reinstatement of workers sacked for their union activities; a second strike in August 2011 led to a round of mass sackings; a 12- day factory occupation in October 2011 ended in large termination payments for suspended union leaders, large pay rises for all workers, and company recognition of the MSWU membership for regular workers in March 2012; a further round of sackings in April and May 2012; and, finally, a violent clash involving workers and managers which led to the death of HR manager, Awanish Kumar Dev. This tragedy marked the end of this drawn-out industrial conflict and spelled disaster for the majority of workers at the Manesar facility. Nearly 2,000 workers lost their jobs, 148 workers

were imprisoned and awaiting trial for several years; in March 2017, 31 former-Maruti employees were convicted with a range of criminal offences. Thirteen of these workers were handed life sentences for murder.

3) Dearness Allowance and Bonus

The inflation situation inflicts the higher cost and increasing the expenditure of worker. This was the main cause of the demand of dearness allowance by the workers to compare their wages with the rise in prices.

Both the quantum and the system of bonus sum have led to many disputes. There is an increasing feeling among the workers that they should have a greater share in the profits of the concern and this fact has not been recognised by the employees and non-acceptance of this fact has been a source of friction among employers and employees.

4) Working Condition and Working Hours

The working situations in Indian industries are not proper. There are not many provision of water, heating, lighting, safety etc. Working hours are also greater. The demand of palatable working conditions and shorter hours of work are also responsible for labour disputes.

5) Modernisation and Automation of Plant and Machinery

The effort at upgrading and introduction of automatisisation to replace labour has been the key reason of disputes in India. Workers go on strike, off and on, to resist rationalisation and automation.

6) High Industrial Profits During and after the world wars, prices of the goods went up and the industrialists made enormous profits. In order to get share in the wealth of the industry, it unsurprisingly led to the anger on their part (workers). The better profits also led to the demands of higher wages and bonus. Now in the changing world, concept of labour has changed considerably. They think themselves as a partner of the industry and demand their share in the profits.

7) Denial of Recognition to Trade Unions

If the employer are not able to identify the trade unions or to identify the rival union for representation, insult of trade union leaders by the employers are some of the examples of autocratic managerial attitude worth mentioning as the causes of industrial disputes. The attitude of employers towards the labour associations had never been sympathetic. They want to divide them and rule.

Moreover, the management is generally not eager to talk over the disagreements with the workers or workers' representatives or state it as 'arbitration' even though the workers are willing to do so.

8) Defective Recruitment Policies

The staffing practices in Indian industries are faulty. Staffing is usually made by the suppliers who exploit the workers and suppress their individuality. The faulty campaign, devaluation, transfer and appointment procedures encourage dissatisfaction among workers. The Maruti Suzuki case can be referred for this point.

9) Defective Leadership

Unproductive leadership is also the important causes of disputes. Leadership must inspire workers to work harder and efficiently. The problems of workers must be understood by the leaders and addressed that can create an improved environment in which possibility of disputes goes away.

Some external Factors

There are some external factors which affect the industrial peace, political factors are one of the most important factor which can cause unrest or disputes for many reasons.

Case 1)

One infamous example of this inter-regional competition concerns the Indian OEM Tata Motors and its investment in small-car production in Sanand, near the city of Ahmedabad in the western Indian State of Gujarat. Tata began producing a cheap small car, called the Nano, at its Sanand assembly plant in 2010. Four years earlier, the Nano had been earmarked for production at a new assembly plant in the town of Singur, over 2000 km to the east of Gujarat, in the State of West Bengal. The West Bengal State Government, at the time the Communist-led Left Bloc, used land acquisition laws to forcibly acquire 1,000 acres of village land around Singur. This was strongly opposed by many local landowners, political activists, and political opponents of the Communists, especially by the Trinamool Congress Party which used the controversy to win the elections and form the government in the State five years later. In October 2008, Tata announced it was shifting the proposed plant to Sanand. According to various media reports, Narendra Modi, then Chief Minister of Gujarat, sent an SMS to Tata Group chairman Ratan Tata on the day he decided to quit West Bengal, with the simple message: '*Suswagatham*' (welcome). The controversy over Tata's investment in Sanand is a high-profile example of how conflict can spread from the social interests of communities and the commercial interests of firms to the politics of the State.

Conclusion

Industrial disputes are the hindering forces for the growth and the development of the firm, industry and country ultimately. Most of the reasons are man made and comes from the wrong decision taken by either employer or employee or the supportive organisations or any other factors. The important point is there are laws and regulations related to how labour will be treated, their work environment, welfare, social services and there are responsibilities for both labours and employers but there is another thing, that thing is bad intentions of any of the factors mentioned above and if this is their there are hacks and loopholes which any factor can take advantages. Of course government and society should try to fill the loopholes so that there should not be the another Bhopal Gas kand or any other industrial disaster or disputed like in Singur (WB) or in Manesar (Haryana) and there will be new SOPs (Standard Operational Procedures) but till the all stakeholder will not understand the common problems of each other and will be graceful for each other this problems will persist in this world.

Check your progress 2

- 1) Industrial Dispute is the psychological state of dissatisfaction it is not based on evidences. (True/ False)
 - 2) Use of old technology was one of the reason of why Textile industry of Ahmedabad failed. (True / False)
 - 3) The dispute in the Manesar plant of Maruti Suzuki started because of wage disparities. (True / False)
-

4.5 Let Us Sum up

Worker's participation is essential for development of industries and also for the productivity of workers. This also makes the daily functioning and decision making process very smooth at different levels of hierarchy of management. Worker's participation in the production process also makes the relation between both main stakeholders – employers and employees. This has been explained with examples in this unit.

4.6 Answers for Check Your Progress**Check Your Progress 1**

- 1) True.
- 2) True.

Check Your Progress 2

- 1) False.
 - 2) True.
 - 3) True.
-

4.7 Glossary

- 1) Inflation: - A Continuous and high rise in general price level situation.
-

4.8 Assignment

Explain the levels of worker's Participation.

Explain the causes of bad industrial relations.

4.9 Activity

Study the reason for disputes and analyse it carefully and find out some more examples on it.

4.10 Case study

Read the cases from the books mentioned in the Bibliography.

4.10 Further reading

- 1) (Industrial Revolutions) Trevor Colling, Mike Terry - Industrial Relations_ Theory and Practice-Wiley-Blackwell (2010)
- 2) John Purcell (auth.) - Good Industrial Relations_ Theory and Practice-Palgrave Macmillan UK (1981)
- 3) Francis Cherunilam – Business Environment_ text and cases, Himalaya Publishing house, 26th ed. 2017.
- 4) Tom Barnes - Making Cars in the New India_ Industry, Precarity and Informality-Cambridge University Press (2018) (For Cases also)

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BLOCK SUMMARY

This block will give you the basic idea about the why social responsibilities must be prevailed? There are sometimes contrasts in the goals of society and the industrialists or the stakeholders in the higher authority of the companies. This tricky concept of social responsibility must be performed according to the wishes of the beneficial group of the society. The consumer rights and consumerism is taking more weight now a days and consumers are being more serious about the issues related to consumerism.

Industrial sickness is big problem for the economy of any country and must be curtailed. Trade unions are representing the problems and wishes of the labors, the behavior, discipline and goals of the trade union defines the welfare of labors.

Worker's participation and industrial relations have also been discussed in this block which is now a slow but new fashion in the corporate sector.

BLOCK ASSIGNMENT

Short Answer Questions

1. What is the meaning of social responsibility of business?
2. Explain the meaning of Social Audit.
3. What Do you mean by consumer's Rights?
4. What is the meaning of Consumerism?
5. What is the meaning of Industrial Sickness?
6. What is the role of trade union?
7. Why worker's participation is needed in business.
8. Why industrial relation between stakeholders must remain calm?

Long Answer Questions

1. Discuss Social Responsibility of Business with examples.
2. Explain why consumerism is needed?
3. What are the reasons for industrial sickness? With examples.
4. What is the role of Trade Unions?

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Enrolment No.:

1. How many hours did you need for studying the units ?

Unit No.	1	2	3	4
Nos of Hrs				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any Other Comments

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DR.BABASAHEB AMBEDKAR OPEN UNIVERSITY

'Jyotirmay' Parisar,
Sarkhej-Gandhinagar Highway, Chharodi, Ahmedabad-382 481.
Website : www.baou.edu.in