BUSINESS ENVIRONMENT

New CBCS syllabus 2019

UNIT 1: BUSINESS ENVIRONMENT

Meaning of business, scope and objectives Business, business environment, Micro and Macro environment of business (social, cultural, economic, political, legal technological and natural) Impact of these factors on decision making in organization.

UNIT 2: NATURAL ENVIRONMENT

Meaning, component of natural environment, impact of natural environment on business decision.

UNIT 3: ECONOMIC ENVIRONMENT

Characteristics of Indian economy, factors affecting economy, economic

resources, impact of liberalization, privatization and globalization on Indian business.

UNIT 4: LEGAL ENVIRONMENT

Meaning impact of fiscal monetary policy, Exim policy and industrial policy on business, industrial policy of 1991.

UNIT 5: TECHNOLOGICAL ENVIRONMENT

Meaning, features, impact of technology on business, management of technology

UNIT 6: GLOBAL ENVIRONMENT

Nature of globalization, challenges of international business, strategies for going global, WTO, Trading blocks in brief.

UNIT : 1 BUSINESS ENVIRONMENT

INTRODUCTION

The concept of business has emerged, ever since the exchange activity took place or from the stage of barter economy in the economic process. The business is an activity which is primary pursued with the object of earning profit. A business activity involves production, exchange of goods and services to earn profit or earn a living.

The word 'business' literally means a state of being busy. Every person is engaged in some kind of occupation, a farmer works in the field, a worker works in the factory, a clerk does his job in the office. The earn their livelihood. While doing some work. Business comprises all profit-seeking activities and enterprises that provide goods and services necessary to an economic system.

Meaning

In general terms business is nothing but buying and selling of goods in the market at a reasonable price.

Business is an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human wants.

It is a process where the goods and services are exchange among buyers and sellers for money or profit.

Definition

According to Stephenson defines business as" the regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants."

"Business is that complex field of a commerce and industry in which goods and services are created and distributed for the sake of earning profit with in a frame work of laws and regulation".

Scope

Business is an integral part of modern society. It is an organizied and systematized activity for profit.

1. **Improvement in standard of living: -** Business helps people in general to improve their standard of living.
2. **Proper utilization of resources: -** it leads to effective utilization of the scarce resources of society. It provides facility of mass production.
3. **Better quality and large variety of goods and services: -** it involves production, purchase and sale of goods and services for price. Customer satisfaction is the backbone of modern business. Services such as supply of water, electricity etc.
4. **Creates utilities: -** business makes goods more useful to satisfy human wants. It adds to products the utilities of person, time, place, knowledge etc. thus, people are able to satisfy their wants effectively and economically.
5. **Employment opportunities: -**It provides employment opportunities to large number of people in society.
6. **Workers welfare: -** business organizations these days take care of various

welfare activities for workers. They provide safer and healthier work environment for employees.

Objectives of business

1. Profit making

2. Growth

3. Power

4. Employee satisfaction and development

5. Quality of product and services

6. Market leadership

7. Challenging

8. Service to society

9. Good corporate citizenship

1. **Profit making:** profit is the backbone of any business. Without which no business can survive in a competitive market. Profit is the main motivator, strong sustainer and judicious allocator of resources. it helps to the business men not only to earn their living but also to expand their business activities by reinvesting a part of the profit.

2. **Growth:** growth is another primary objective of business. It should grow in all directions over a period of time. Some of the strategies adopted to achieve growth. They are:

i. Add more and more products.

ii. Integration forward or backward.

iii. Increase market share.

iv. Diversify business into new areas.

v. Expand markets.

vi. Increase productivity.

3. **Power:** business has vast resources such as money, materials, men and know-how. These resources confer enormous economic and political power on owners and managers of business venture.

4. **Employee satisfaction and development:** employee satisfaction covers the basic concerns and needs of employees. concern for employees should be an important aspect in spite of automation of business. Business concern which attach utmost important to employee's satisfaction can survive.

5. **Quality of products and services:** the important objective of business is to providing Sand stayed ahead of others on the market. The quality earns brand loyalty, a vital ingredient of success.

6. **Market leadership:** this is another major objective of business to earn a share position in the market, innovation is the key factor, innovation may be product, advertising, and in any field.

7. Example: SUMSUNG Smartphone

8. **Challenging:** business offers vast scope and formidable challenges. The real worth of an individual is tested more in business than in any other profession.

9. **Service to society:** business is a part of society and has several obligations towards it. The following are:

i. Providing safe and quality of goods at reasonable price.

ii. Providing employment.

iii. Patronizing culture and religious activities.

iv. Maintaining and protecting environment.

10. **Creation of joy:** it is through business strategies know ideas & innovation are given a shape and are converted in to use full products and services for the benefit of customers.

11. **Good corporate citizenship:** citizenship implies that the business unit complies with the rules of the land, pay taxes to the government regularly discharges its obligation to society and cares for its employees and customers.

BUSINESS ENVIRONMENT

Meaning of Environment:

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

Meaning of Business Environment:

Business environment refers to all those internal& external factors that influence on the business. It includes number of factors which influence on the business. some factors are favorable, some factors are neutral.

Business environment is a set of both internal and external factors like suppliers, customers, competitors, technological, socio-economic, etc., these factors are influence the business activities.

Definition:

According to **William F. Glucck,** “business environment as the process by which strategists monitor the economic, governmental, market, supplier, technological, geographic and social settings to determine opportunities and threats to their firms”.

Components/Types/Elements of Business Environment:

COMPONENT OF BUSINESS ENVIRONMENT

Internal Environment **External Environment**

Micro environment **Macro Environment**

1.Value system		
2. Mission &objective of the business	**1. Customers**	**1. Economic**
environment		
3. Organizational structure	**2. Competitors**	**2. Political &legal**
environment		
4. Financial capability	**3. Suppliers**	**3. Socio-cultural**
environment		
5. Human resource management	**4. Market intermediaries**	**4. Natural environment**
6. Marketing capability	**5. Public**	**5. Demographic**
environment		

6. Technological environment

7. International environment

INTERNAL ENVIRONMENT

1. **VALUE SYSTEM:** the value system of the founders, board of directors, managers, workers of the organization has important bearing on the strategies of the organization.
2. **MISSION AND OBJECTIVES OF THE BUSINESS**: mission is a statement which defines the role that an organization plays in a society. objectives represent a managerial commitment to achieve specified results in specified period of time. firms' priorities, development, policies are guided by the mission & objectives of the organization.
3. **ORGANIZATIONAL STRUCTURE:** organizational hierarchy the authority which flows from top to bottom. It helps to facilitate quick decision making.
4. **FINANCIAL CAPABILITY:** financial factors like financial policies, financial position and capital structure etc. affect corporate strategies and decisions.
5. **HUMAN RESOURCE MANAGEMENT:** the characteristics of the human resource like skill, quality, morale, attitude, knowledge etc. could contribute to the strength and weakness of an organization.
6. **MARKETING CAPABILITY**
7. **OPERATIONAL CAPABILITY**
8. **MANAGERIAL POLICIES**
9. **BRAND IMAGE & CORPORATE IMAGE**
10. **RESEARCH AND DEVELOPMENT CAPABILITY**

EXTERNAL ENVIRONMENT

I. MICRO ENVIRONMENT

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

1) **CUSTOMERS:** customers are the people who pay money acquire an organization's products. Or those buyer & ultimate consumer needs relating to the product or services it is intended to meet.
2) **COMPETITORS:** competitors are the other business entities that compete for resources. The firm's competitors include not only the other firms which market the same on similar products but also all those who complete for the discretionary income of the consumers.
3) **SUPPLIERS:** suppliers from an important component of the micro environment. The suppliers are providing any kind of material to the business for its smooth functioning like raw material, equipment's, services etc.,
4) **MARKET INTERMEDIARES:** market intermediaries include agents and brokers who help the company to find customers. It is a link between company and customer.
5) **PUBLIC:** public is any group that has actual or potential interest in the business. The prospects of a firm depend upon the society in which it has to work and sell its products.

II. MACRO ENVIRONMENT

1) **ECONOMIC ENVIRONMENT:** economic environment refers to those economic factors which have impact on the working of business. These factors include Gross national product, corporate profit, inflation rate, balance of payment, etc.
2) **POLITICAL AND LEGAL ENVIRONMENT:** political environment refers to the influence exerted by the three political institutions they are; Legislature,

Executive, Judiciary. Legal environment includes adoptability of law and other legal rules & regulation of government. Laws which are passed by the government for business operation is called legal environment

3) **SOCIO-CULTURAL ENVIRONMENT:** socio-cultural environment refers to social and cultural factors which are beyond the control of business units. Such factors include of people to work, family system, caste system, education system, habits, language, religion, belief & traditions with in a particular society.

4) **TECHNOLOGICAL ENVIRONMENT:** technological environment refers to the external factors in technology that impact business operations. In order to survive in today's competitive world, a business has to adopt technological changes from time to time. A business may have to dramatically change their operating strategy as a result of changes in the technological environment.

5) **NATURAL ENVIRONMENT:** Natural environment refers to geographical & ecological factors which are beyond the control of the enterprise. It includes natural resources, weather and climatic conditions, landforms, rainfall, environmental pollution, etc.

6) **DEMOGRAPHIC ENVIRONMENT:** demographic environment refers to the size, density, distribution and growth rate of population, age composition. All these factors have a direct bearing on the demand for various good and services.

7) **INTERNATIONAL ENVIRONMENT:** Another environmental factor is international or global environment. It affects the business directly due to liberalization, Indian companies are forced to view business issues from the global perspective.

Important questions:

1. What is business Environment?
2. Define Business environment

3. Give the meaning of internal and external environment.
4. Explain the nature and scope of business.
5. Briefly explain the objectives of business.
6. Discuss in brief the component of business environment.

UNIT: 2 NATURAL ENVIRONMENTS

Introduction

Natural environmental efforts to reference to geographical and ecological factors which beyond the controller of the enterprise it includes natural source weather climate conditions and land farms rain falls environmental pollution etc. Climate and weather conditions affect the location of certain industries like textile industries. Environmental pollutions waters air and noise pollutions have caused disturbance in ecological balance. government has farmed various acts for the control of environmental pollution. Changes in temperature can impact on many industries including farming tourism and insurance.

Meaning of natural environmental

Natural environmentare naturally available in the environment. The natural environment including minerals forests water and land etc. which influence the business activities.Theseresources are not made by human beings. (OR)

Natural environment is the environmentwhich include several natural factors like climate, minerals, soil, landforms, rivers and oceans, coastlines etc.Thesenatural factors directly influence on the functioning of a business.

Components of natural environment

1) Water on earth: About 71% of the Earth's surface is water-covered, according to The United States Geological Survey Water Science School. The world’s total water supply equates to 332.5 million cubic miles. Oceans hold around 97% of all Earth's water, which means all but about 3% of our water is saline. Of the world’s total freshwater, 69% is frozen in ice and glaciers and another 30% is in the ground. Just 0.26% of the world’s water is in freshwater lakes. And only 0.001% of all our water is in the atmosphere.

2) Atmosphere climate and weather: The atmosphere is the layer of gases that surrounds Earth above the air layer. Its condition affects our climate, which is the pattern of variation in temperature, humidity, atmospheric pressure, wind, precipitation, ultraviolet light, and other climate variables that occur over long periods. Dry air consists of 78 % nitrogen 21 % oxygen 1% Argon and other insert gases such as carbon dioxide.

3) Effect of global warming: The effects of global warming are the environmental and social changes caused (directly or indirectly) by human emissions of greenhouse gases. There is a scientific consensus that climate change is occurring, and that human activities are the primary driver. Many impacts of climate change have already been observed, including glacier retreat, changes in the timing of seasonal events (e.g., earlier flowering of plants), and changes in agricultural productivity.

4) Ecosystems: an ecosystem (also called as environment) is a natural unit consisting of all plants, animals and micro-organisms in an area functioning together with all of the non-living physical factors of the environment.

"Any units that include all the organisms in a given area interacting with the physical environment so that a flow of energy leads to clearly defined trophic structure biotic diversity and a material ccycles’ (i.e. exchange of materials between living and nonliving parts) within the system in an ecosystem."

Impact on Business

1) Manufacturing: The process of converting raw materials, components, or parts into finished goods that meet a customer's expectations or specifications.(or) it is a process of converting raw materials or semi finished goods into finished goods.In the business Example: acar requires for its a manufacturing,labour, factory machines, iron ,steel ,rubber plastic and non-ferrous materials.

2) Mining activity: Mining is the extraction of valuable minerals or other geological materials from the earth, usually from an orebody, lode, vein, seam, reef or placer deposit. These deposits form a mineralized package that is of economic interest to the miner.

Example: The petroleum company requires crude oil which is extracted from the earth.

3) Agriculture: agriculture refers to all of mam's activities related to the cultivation of the soil and to those activities that are directly depends upon the soil such as the production of vegetables, crops and feeding, breeding. The Agricultural activities also influence on the business activities the GRA cultural products are the raw materials for the various business.

Example: cotton is the raw material for garments industry.

4) Trade: It refers to buying and selling of goods and services from one country to another. trading activities also helps to the business to sell their goods in a foreign countries.

Example: Tea is imports from Assam, jute in West Bengal

5) Transportationand communication: The Transportation refers to process of shipping or moving an goods from production place to consumption place. Communication refers to exchange of fats, feelings, thoughts, messages from one person to another. The transportation and communication also influence the business activities.

6) Technology: Technology is the application of scientific knowledge for practical purposes, especially in industry. Technology is the collection of techniques, skills, methods, and processes used in the production of goods or services or in the accomplishment of objectives of business.

UNIT:3 ECONOMIC ENVIRONMENT

All those economic factors which influence directly or indirectly on the functioning of business unit business depends on the economic environmentfor all the neededinput's. economics factors that influence the business unit currently this factors include ask national product corporate profits inflation rate employment balance of payment interest rate consumer income

Characteristics or features of economic environment.

1. Mass poverty and low per capita income:per capita income in India is low compared to other developing countries. it is a one of the lowest in the world. the extent of poverty can be derived from the poor quality of food, clothing, housing, education and medical facilities in the country all indicates a low standard of living.

2. Low standard of living and high poverty: due to low per capita income. most of the people of India do not have the basic necessities of life. the standard of living of the people is a very low nearly 39% of the total population of the country is below the poverty line and there is a mass chronic poverty.

3. Dominance of agriculture: agriculture provide employment to about two-third of the total working population in India the population. Presently 58% of labour force is estimated to be engaged in this sector. this is an indication of an economic progress on structural changes that is gradually taking place.

4. Unequal distribution of income: according to World Bank in its world development report 2002 state that a large portion of income 33.5 1% received by 10% of rich population and low portion of income 3.5% received by 10% of poorest population.

5. Existence of rich resources: India has rich resources are in a form of renewable and nonrenewable resources

Renewable resources are: -water, forest,Sun,air. etc..
Non renewableresources:- Minerals,petroleum,LPG etc...

6. Inadequate capital formation: Richresources does not helps to development of economy development's of a country's economy defect of the effective and full utilisation of resources which needs capital and Technology know-how due to the lack of capital Indian economy is reflected in the low rate of production and consumption of steel cement and electricity etc..

7. Unemployment and underemployment: Unemployment occurs when a person who is actively searching for employment is unable to find work.Underemployment may be defined as a situation in which workers are employed below their education or skill level, or their availability. Unemployment is often used as a measure of the health of the economy.

8. Technological backwardness:technological backwardnesshas been the continues to be a characteristic feature of the Indian economy althougsome changes in techniques have taken place in certain selected segment of the economy.

i)The rate of technological growth in India has been between 0.7% and 1.1% .

ii) According to a 2007 world bank report.India had only 119 R&D researchers per millionpopulatio.

9. Infrastructure inadequacies: Facilities are a continued to be inadequate in a relation to the demands being made on it by the process of economic growth.

10. Dualistic economy: The totally traditional and completely modern economy co-exists in India. in agriculture we find the latest technology at work along with the primitive techniques also well-embedded and firmly rooted.

Factors affecting Economic Development [2013 2011/2010/2009-15 Marks]

These factors classified into 3 types

A. Economic Factors.

B. Non economic factors.

C. Other factors.

A. Economic factors

1. Natural factors: It is an important instrument of economic development. In the initial stages of development all the less developed economies have to depend upon the availability of natural resources like land, water, forest, minerals etc, many countries found certain Resources like minerals as a source of foreign exchange earnings which in turn develop the country.

2. Capital formation: The process of economic development depends to a significant extent on capital formation. As the rate of capital formation increases, it exerts an interacting and cumulative effect on the economy of the country leading to a growth in natural income.

3. Technological process: Technology refers to that type of advanced machinery which is used to manufacture products. Technology had led to greater output, shorter working hours the creation of a host of skilled jobs in design, maintenance and engineering safer working conditions production of new and better goods of standardized quality with more efficient use of raw materials, decline of superstition and traditional etc.

4. Infrastructure: It determines economy hospital, banking, insurance, education, power, electricity. In this way affected economic factors.

5. Size of market and investments: Economic development depends on the size of the market and investment. Increases in the purchasing power of the people created the demand for consumer good choices increases the size of the market and investment

B. Non-economic factors:

These factors are not related to production or cost of production. Some of the non-economic factors are.

1. Ability to develop and apply science in the activities

2 The propensity to decept innovation

3. Searching for new zealand products

4. The propensity to have le children.

5. Incrimination to consume less income and have more for investment

6 Incrimination to work behind the expected target income

C. other factors:

Other factors are more influence to economic development, They are classified into 3 categories.

1. Political system: Uncertainty of political system that be affected stability to the economic development consistency .In this system more influence on economic development.

2. Social system: Several religions in India such as Hindi, Mudim, Christians, Jains, odh, Parci etc, coordination is more important between among the religions and adopt family planning to less children that's help decrease population. In this way social system affects economic development.

3 Luck: Luki important to any matter profit and losses to the government depends on luck. Luck fact functioning of the economic development government introducing new polices based on luck.

Economic Resources: [2011-5 Marks]

Economic development depends on economic resources They are classified into categories. They are as follows:

1 Natural resources

2. Industry resources

3. Technology resources

1. Natural resources: [2012/2013-2 Marks]

Countries which are h in natural resources have he scope for advances inIndustrialization Natural resources consist of mineral resources, energy resources, forest, resources, mineral resources and water resources

a. Land and Soils: India is the 7^{th} largest country in the world in case of land Before Russia, Canada, China, Australia are largest countries in having land. In India total geographical area is 32,87,702km north to south 3214 km, east to west 2933 km Land is classified into 2 types:

1 Agricultural land

2 Non-agricultural land

b.Water resources: To economic development is successfully done there must be water resource we helps irrigation, water is generation of electricity Water may be classified as.

1. Surface water

2 Ground water

C. Forests: In India 676.5 Sqkm or 22.5% of forest.A forest provides raw materials wood Industries, paper industries and Other industries etc..

D. Minerals: Most surpluses from the minerals in India such as:
Mining minerals, iron, Silver, Aluminium, coal etc..

2 Industry resources

The above-mentioned natural resources are all industrial resources. Industrial development depends on some factors like:

a Entrepreneurship: Entrepreneur is a person who take risks and respond of enterprise and also

coyotes' factors of production to the surprise he is a entrepreneur Factors of

production like land, labour, capital, raw materials, and factors industry are creation of

new industries and use sources of the industries

b.Capital: Blood is more important to human body capital is more important to industries and smooth running of the business who invest investment and capital investors.

c. Infrastructure: Infrastructure are effect of fact of Industrialization, main infrastructure are transportation, Banking communication

d. Innovations: Searching for new things, Innovations assigned a very important role in industrial development Innovation include the following introduction of invention, introduction of new management techniques, development of new product development of new process, development new market etc.

3. Technology resources: The Industrial revolution was possible only due to technological revolution countries which give high priority to research and development are the ones which have shown tremendous advancement in technology.

LPG concept:

Liberalisation, Privatization and Globalization This Copy established in July 1991

LIBERALIZATION

Liberalisationrefers to there is no legal restrictions to enter in to foreign market i.e. no rigid rules and regulations to do business in foreign country.

It means removal of all the trade barriers to enter in to foreign market from the government.

In other words liberalization refers to a relation of previous government restriction, usually in such areas of social political and economic policy Liberalization is one of the ways of improving the efficiency of Public Sector Units (PSUs)

Objectives of liberalization:

- To improve our performance.
- Accelerate the rate of industrial development.
- To ensure better utilization of capacity.
- To achieve economies of scale.
- To reduce and in some cases to remove the procedural impediments.
- To Work towards the development of backward areas.

- To ensure export promotion and substitution of import.
- To increase competitiveness and ensure healthy competition in industries.

Impact of liberalization to India/Impact of LPG on Indian Business [2009-15 Marks]

The main impact and achievement of liberalization policy are as follows.

1. Private and foreign investments: The liberalization as given on enormous to private and foreign investment in the industrial sector the expansion plans of many Indian corporate both in the private and public sector are very impressive priority sector have been receiving massive investment liberalization over 80% of the foreign investment have been in the priority sector.

2. Increased turnover: Many industries have been witnessing huge output growth in their turnover. Several of the industries which are witnessing output are it industry luxurious goods, vehicles, car,as the India market is big, it generates employment opportunities to many Indians.

3. Improved competitiveness and industrialization: Under the liberalization the industry has become more strong and competitive both in the national as well as international markets. In the last few years, the sales as well as profit of the Indian companies have increased to a large expert

4. Foreign investment: To accelerate the growth rate of Indian economy a substantial set up in investment was required domestic savings were not sufficient in our country but liberalization helped in boosting foreign direct investment in India.

PRIVATIZATION: (2009-2 Marks]

Privatization is the process of transferring an enterprise or industry from the publicsector to the private sector.

The transfer of ownership, property or business from the government to the private sectoris termed privatization.

It refers to transformation of public ownership or management to the private sector.

In other words it means converting public companies in to private companies. Thesecompanies are controlled and directed by the private ownership.

Objectives Privatization

The main objectives of privatization are as follows:

A. To improve the performance of the PSU's so as to lessen the financial burden on taxpayers.

B. To reduce government interference in the economy.

C. To promote greater private initiative.

D. To promote wider share ownership.

E. To development of the capital market.

F. To promote competition and reward efficiency.

G. To reduce the administrative burden on the state.

H. To increase the size and dynamism of the private sector.

I. To promote increased efficiency.

J. To encourage and facilitating private sector investments from both domestic andforeign sources.

K. To reduce the threat of the losses.

L. To provide improved quality and services to the customers.

Advantages of privatisation

1) **increase the competition and decrease monopoly:** Monopoly means mono-single, poly-seller: single seller in the market public sectors is only seller in the market at olden days after privatization several people operating market in many ways. It reduces monopoly of PSU's.
2) **Reviving sick units:** after the privatization many public sick units are Revival and restructuring. the privatization may help inreviving sick units which are liabilities of the public sectors.
3) **Efficient management:** whiniest management in private sectors. Private sectors are increase more work and it take well-skilled, well talents and it adopt new products and searching for new thing.
4) **Rapid industrial growth:** It could help in solve the fiscal crises of the state in light of a new industrial democracy. Privatization invests more money and it achieve high industrial growth and it also influence on economy.
5) **Increase in efficiency of PSU's:** It is a main advantage of Privatization. It means a competition between public sector and private sector. Public sectors are competition from private sectors and also increase efficiency of PSU's.
6) **encouragement of innovation and investments:** privatization encourages innovation. Innovation means searching for new and adopts new ideas techniques. Privatization also encourages investments. Investors are investing more investment and,it helps developing on industries.
7) **Promotes globalization:** Privatization helps to globalization it encourages the nosiness people to go globalization.

Disadvantages of Privatization:

1. Increase the efficiency of PSU's: Privatization improves efficiency but not sufficiency. Privatization involves efficiency industry, but it is not going on in good manner.

2. Fiscal imbalances: Private sectors are not contributed government and it also not contributed nation income. Private sectors are improved self-reliance and encourage individual development.

3. Privatization Presupposes the Prevalence of Country Conditions: It concentrates only achieve profit or growth. Privatization brakes prevalence conditions. Privatization will expand competition.

4. Revenue maximization: This is a main disadvantage of Privatization. Revenue means income it involves decrease and increase income. There is no advantage.

5. Greater concentration of assets: Privatization concentrates only on asset instead of providing services to the society.

6. Need cooperation of Labour force: Public sectors are achieving some more benefits but private sectors are achieving more and more benefits and it provide lack of coordination.

7. Leads to more competitions: It is started that the Privatization of enterprises that produce tradable in competitive or potentially competitive sectors.

GLOBALISATION:

Meaning of Globalisation: [2010/2012/2013-2 Marks]

In simple economic terms globalisation refers to the process of integration of the WorldInto one huge market. Such integration for the purpose of removal of all trade barriersAmong countries. Even political and geographical barriers become irrelevant.

Globalization is the process of international integration arising from the interchangeOfworld views, products, ideas, and other aspects of culture.

According to **"IMF** (International Monetary fund) The growing economic Interdependence of country world White through increasing Volume and verity of cross border transaction in goods and services of international capital flow through the wide Spread Technology.

Nature/Features of globalization

1 Several things to several people

2. Integration of world economy into the huge market.

3. Removal of all trade barriers

4. Foreign direct investment up to 51% of foreign equity is allowed.

5. Automatic Permissions provided to high priority industries up to 1 crore.

6 Free flow of goods and services in any country.

7. Free flow of capital and technology

B. Rupee has been made fully convertible.

9. Tax and tariff duty modified.

UNIT:4 LEGAL ENVIRONMENT

The legal environment is the principleof law provides uniformity and certainty to the administration of justice. Legal system of a country is formed by the government. The laws which are passed by the government for business operation is caused legal environment such as the sales of goods act 1930,Indian companies act 1956, income tax act 1961, consumer protection act 1986, the weight and measures act 1958, environment protection act 1986, agricultural policy, industrial policy, foreign investment policy, monetary policy, the factories act 1948,the minimum wage act 1948.

Importance of legal environment

a. **Laws on production or sales:**the production of sales of certain goods is prohibited or at least severily restricted in many countries. This includes, among others, selling of them dangerous drugs, guns and explosives, for instance.

b. **Consumer protection:** most countries have lawsensuring customers are being treated fairly by businesses. This includes the act regulating weights and measurements, ensuring that goods sold actually are the weight of size they are sold at, and the trade description act of 1968, making the misleading descriptions of a products illegal.

c. **Employee protection:**laws to protect the employees include laws against unfair discrimination based on race,colour,religion, sex or age. Laws against unfair dismissal and other harassments, health and safety laws and laws regulating minimum wage. Many countries to make written contract between employer and employee mandatory.

d. **Tax and financial laws:** these laws vary between countries, but generally regulateaccountancy practices, interest rates on loans, taxes etc. Business are expected to provide a sufficient documentation of income and expenditure, for instance.

Fiscal policy

Fiscal policy refers to "the policy of the government regarding its revenues, expenditure and borrowings".

It consists the taxation and expenditure policy of the government.

fiscal policy is a concerned with the raising of government revenues and incurring of government expenditure.

According to **ReemHeakal** fiscal policy is the means by which government adjusts its spending levels and tax rates to monitor and influence a nation's economy.

Objective of fiscal policy

1) **To achieve desirable price level:** the stability of general prices is necessary for an economic stability. The maintenance of desirable price level has a good effect on a production, employment and the national income.Fiscal policy should be used to remove the fluctuations in price level so that ideal level is maintained.
2) **To achieve desirable consumption level:** a desirable consumption level is important for political, social and economic consideration. Consumption can be affected by expenditure and tax policies of the government. Fiscal policies should be used to increase welfare of the economy through consumption level.
3) **To achieve desirable employment level:** the efficient employment level is most important in determining the living standard of the people. It is necessary for political stability and for maximization of production. Fiscal policy should achieve this level.
4) **To achieve desirable income distribution:** the distribution of income determines the type of economic activities the amount of savings.in thisway it is related to price, consumption and employment. Income distribution should be equal to the most possible degree. Fiscal policy can achieve equality in distribution of income.
5) **increasing capital formation:** in underdeveloped countries deficiency of capital

is themain reason for underdevelopment. Large amounts are required for industry and economic development.Fiscal policy can divert resources and increase capital.

6) **degree of inflation:**in underdeveloped countries, a degree of inflation is required for economic development. After a limit, inflationary be used to get rid of this situation.

7) **Consumption level:** it important for political, social and economic considerations. Consumption can be affected by the expenditure and tax policies.

Impact of fiscal policy on business (or) role of fiscal policy

- The development of various regions sectors and industries
- Government often use tax incentives or disincentives to encourage discourage certain activities.
- Tax incentives canalso help in an increasing demand
- The government control as well as state offerdifferent fiscal incentives and encourage industries
- Progressive increases in indirect taxation
- fiscal policy can encourage the investment create jobs for your long-term economic growth

Monetary policy

Monetary policy is the macroeconomic policy laid down by the central bank. It involves management of money supply and interest rate.

In India monetary policy of the RBI is aimedat managing quantity of money in order to meet the requirements of different sectors of the economy and to increase pace of economic growth.

Monetary policy also known as ***credit policy*** or called***RBIs money management policy.*** In India the RBI implements the monetary policy through open market operations, bank rate policy, reserve system, credit control policy. Using any of these instruments will lead to changes in the interest rate or the money supply in the economy.

Monetary policy refers to the use of instruments under the control of central bank regulate the availability. Cost and use of money and credit

According to **R.Pkent** define the management of expansion and contraction of the volume of money in circulation for explicit purpose of attending a specific objective such as full employment.

Objectives of monetary policy

a. **Rapid economic growth**: it is the most important objective of monetary policy. The monetary policy can influence economic growth by controlling real interest rate and its resultant impact on the investment.

b. The rbi provide easy credit policy by reducing interest rate the investment level in the economy can be encouraged the increased investment can speed up economic growth. faster economic growth is possible if the monetary policy succeeds in the maintaining income under price stability.

c. **Price stability:**all the economics suffer from inflation and deflation, it can also be called as a price instability. Both inflations are harmful to the economy. Ittries to keep the value of money stable. It helps to reducing the income and wealth inequality.

d. **Exchange rate stability:**exchange rate is the price of home currency expressed in terms of any foreign currency. If this exchange rate is very volatile leading to frequent ups and downs in the exchange rate. Monetary policy aims at maintaining the relative stability in the exchange rate.

e. **Balance of payment equilibrium:** many countries like India suffer from the disequilibrium in the bop. The rbi through its monetary policy tries to maintain the equilibrium in the balance of payment.Bop has 2 aspects

- balance of payment surplus
- balance of payment deficit

f. **full employment:** the concept of full employment was in much discussedofferkeynes's publication of the 'general theory' in 1936. Full employment stand for a situation in which everybody who wants jobs get job.monetary policy encouraged and help in creating a many jobs in a different sectors of the economy.

g. **Neutrality of money:** economist such aswickstedrobertson have always considered money as a passive factor. According to them money should pay only a role of medium of exchange and not more than that.

h. **Equal income distribution:** many economics used to justify the role of the monetary policy is maintaining economic equality.

Impact of monetary policy on business

- **Control inflation:**the primary impact of monetary policy is on inflation. The goal of monetary policy is control to inflation or the value of currency. when inflation rises the RBI wants to raise the interest rates. High inflation makes a cost of goods sold higher.

- **Interest rate:** monetary policy directly impacts on interest rate. The central bank raises or lower the prime rate or interest rate the central bank loans money to other banks has a tool to impact the economy. Interest rate charged on loans, credit cards and any other financial vehicles that is tied to a prime rate.
- **Business cycle:** the monetary policy is minimise the speed and severity of these expansion and contractions to maintain the steady growth or decrease a negative contraction.
- **Spending:** monetary policy impacts the amount of money spent in an economy. When you central bank decreases interest rates, more money is typically spend in an economy. This increase in spending can equateto better overall health for a economy. Likewise, when interest rate increased, spending declines, this cartail inflation.
- **Employment:**employment level relates to the health of an economy. When inflation is low and an economy is stable or in an expansionary phase, employment level are higher than when inflation is high and an economy is in a contraction phase. Changes in monetary policy that maintain economic stability and minimise inflation tend to keep unemployment low.

Credit control measures of monetary policy

the credit control measures canbe broadlyclassified to two categories.

- Quantitative measures (or) general credit controls
- Qualitativemeasures(or) selectivecredit controls

A. quantitative measures (or) general credit controls: -

a) **Bank rate policy:** the bank rate is the official interest rate at which RBI rediscounts the approved bills held by commercial banks. For controlling the credit, inflation and money supply, RBI will increase the bank rate.current bank rate is 6%.

b) **Open market operations:** OMO the open market operations refer to direct sales and purchase of securities and bills in the open market by reserve bank. The aim is to control volume of credit.

c) **Cash reserve ratio:** cash reserve ratio refers to that portion of total deposits in commercial bank which it has to keep with RBI as cash reserves. The current cash reserve ratio is 4%.

d) **Statutory liquidity ratio:** it refers to that portion of deposits with the of deposits with the banks which it has to keep with itself as liquid assets (gold, approved govt. Securities etc.) The current SLR is 19.5%. If RBI wishes to control credit and discourage credit it would increase CRR&SLR

B.Qualitativemeasures(or) selectivecredit controls: -

qualitative credit is used by the RBI for selective purposes. Some of them are

a) **Margin requirements:** this refers to difference between the securities offered and amount borrowed by the bank.

b) **Consumer credit regulation:** this refers to issuing rules regarding down payments and maximum maturities of installment credit for purchase of goods.

c) **Guidelines:**RBI issues oral, written statements, appeals, guidelines, warnings etc. To the banks.

d) Rationing of credit: the RBI controls the credit granted / allocated by commercial banks.

e) **Moral suasion:** psychological means and informal means of selective credit control.

f) **Direct action:** this step is taken by the rbi against banks that don't fulfill conditions and requirements. RBI may refuse to rediscount their papers or may give excess credits or charge a penal rate of interest over and above the bank rate, for credit demanded beyond a limit.

Exim policy

EXIM policy is also known as foreign trade policy.EXIM policy is renewed every year on the 31st of march and the revisionrs, improvements and new proposals become effective from 1st April of every year.

EXIMpolicy refers to the policy measures adopted by a country with reference to its export and imports. Its regulated by the foreign trade development and regulation act of 1992

Objectives of EXIM policy.

a. To Facilitate Sustained Growth in Exports of The Country So Hard to Achieve Large Percentage Share in The Global Merchandise Trade

b. To Provide Domestic Consumers with A Good Quality Goods and Services at Internationally Competitive Price as Well as A Creating A Level Playing Field for the Domestic Produces.

c. To Stimulate Sustained Economic Growth by Providing Access to An Essential Raw Materials, Intermediates, Components, Consumable and Capital Goods Required for AugmentingProduction And Providing Services.

d. To Enhance the Technological Strength and Efficiency of Indian Agriculture, Industries and Services.

e. To Generate New Employment Opportunities and To Encourage the Attainment of International Accepted Standards.

f. To Provide Quality Consumer Products at Reasonable Prices and Established the Framework for Globalisation.

Impact of Exim policy

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

b) **Impact on the Indian industry:** in the Exim policy 1997-02, a series of reform measures have been introduced in order to give boost to India's industrial growth and generate employment opportunities in non-agricultural sector. These include the reduction of duty from 15% to 10% under EPCG scheme that enables Indian firms to import capital goods and is an important step in improving the quality and productivity of the Indian industry.

c) **Impact on agriculture:**many encouraging steps have been taken in the Exim policy 1997-2002 in order to give a boost to Indian agricultural sector. These steps include provision of additional soil of 1 % for export of agro products, allowing EOU's and other units in EPZS in agriculture sectors to 50% of their output in the domestic tariff area (data) on payment of duty.

d) **Impact on foreign investment:** in order to encourage foreign investment in India, the Exim policy 1997-02 has permitted 100% foreign equity participation in the case of 100% EOUS, and units set up in EPZS

e) **Impact on quality up gradation:** the soil entitlement of exporters holding iso 9000 certification has been increased from 2% to 5% of the fob value of exports, which has encouraged Indian industries to undertake research and development programmers and upgrade the quality of their products.

f) **(f) impact on self-reliance: -**the Exim policy 1997-2002 successfully fulfils one of the India's long terms objective of self-reliance. The Exim policy has achieved this by encouraging domestic sourcing of raw materials, in order to build up a strong domestic production base. New incentives added in the Exim policy have also added benefits to the exporters.

Industrial policy

industrial policy refers to rules, regulations, principles, policies and procedures laid down by the government for regulating, developing and controlling industrial undertaking in the country.

Salient features of new industrial policy- 1991

a. **promotion of industries in rural areas:** in order to remove the regional imbalances, under this industrial policy various provisions have been made to encourage industries in rural areas

b. **reservation of small-scale industries:** the policy has stated that the government should keep giving assistance to small scale industries, the limit for small scale industries have been reduced from Rs. 3 crores toRs.1

crore since December 1999

c. **Abolition of industrial licensing:** the new industrial policy abolished all industrial licensing irrespective of the level of investment except for certain industries related to security and strategic concerns, and social reasons now there are only 6 industries for which licensing is compulsory as amended in February 1999. These are alcohol, cigarettes, hazardous chemicals, drugs and pharmaceuticals, electronics, aerospace and defenceequipment's, and industrial explosives.

d. **MRTP act:**in the industrial policy 1991, major changes have been made in the MRTPact.the new industrial policy also states that the government will undertake review of the existing public enterprises in low technology, small -scale and non-strategic areas.

e. **Free entry to foreign investment and technology:**the government is committed to promote increased flow of foreign direct investment (facilities better technology, modernisation, exports and for providing products and services of international standards.

Impact of newindustrial policy 1991 (nip)

1. **Raising income:** the first important role is the industrial development provides a secure basis for rapid growth of income. The empirical evidence suggests a close correspondence between the high level of income and industrial development. In the industrially developed countries.
2. **changing the structure of the economy:** in order to develop the economy underdeveloped countries need structural changes through industrialisation. History shows that in the process of becoming developed economy the share of

the industrial sector should rise and that of the agricultural sectordecline. This is only possible through deliberate industrialization.

3. **meeting high income demands:** beyond certain limits, the demands of the people are usually for an industrial product alone. After having met the needs of food, income of the people are spent mostly on manufactured goods. This means the income elasticity of demand for the manufactured goods is high and that of agricultural products is low

4. **overcoming deterioration in the terms of trade:** underdeveloped countries like india need industrialisation to free themselves from the adverse effects of fluctuations in the price of primary product anddeteriorationin their terms of trade. Such countries mainly export primary products and import manufactured goods. The prices of primary products have been falling or are stable whereas the price of manufactured products have been rising.

5. **employment generation:**underdeveloped countries like india are characterized by surplus labour and rapidly growing population. To obsorb all the surplus labour it is essential to industrialise the country rapidly. It is the establishment of industriesalone that can generate employment opportunities on the accelerated rate.

6. **bringing technological progress:** research and development is associated with the process of industrialisation. The development of industries producing capital goods that is machine,equipmentsetc.. Enables a country to produce a variety of goods in large quantities and at low costs, make for technological progress and change in the outlook of the people.

7. **strengthening the economy:** industrialisation of the country can provide the necessary elements for strengthening the economy.They are: -

    - Industrialisation makes possible the production of goods like railways, dams,etc...which cannot be imported.
    - industrialization can change the comparative advantage of the country

to suitits resources and potentialities of manpower.

- through industrialisation the requirements for the development of agriculture can be met.
- Industrialisation is needed to provide for the country's security.

Objectives of new industrial policy

1. rapid industrialization of the country.
2. Increase employment opportunities in private sectors.
3. improve balance of payments promoting exports.
4. ensure profitability in the public sector.
5. encourage entrepreneur.
6. invite foreign capital for industrialisation and boost export.
7. to encourage research and development to bring in new technology.
8. To link indian economy with global economy.
9. increase competition of the industry.
10. Rapid development of infrastructure, road, electricity.

Advantages of new industrial policy

1. financial stability.
2. upgrading the technology of production.
3. free flow of capital.
4. Increasing factors of production.

5. increasing in percapita income.
6. increasing in foreign trade.

Limitations of new industrial policy

1. Dominance Of Multinational Firms.
2. UnsuitableAnd Inferior Foreign Technology.
3. Unemployment.
4. DilutionOf The Public Sector.
5. Social Problems
6. Increase Crimes.
7. Industdial Sickness
8. Increase In Corruption.

UNIT-5 TECHNOLOGICAL MANAGEMENT

Technology is the collection of techniques skills, methods, and processes used in the production of goods and services or in the accomplishment of objectives. Such as scientific investigation.

Technology is the usage and knowledge of tools, techniques, crafts, systems or methods of organisation.

Bigwood suggests this definition "perfectly describes the concept of technology as a bridge between science and new products."

according to J.KGalbraith defines "technology as a scientific application of systematic or other or organised knowledge to practical tasks".

Impact of technology on business

a. **Customer relations:** technology effects the way companies communicate and establish relationship with their clients.in a fast moving and business environment, it is a vital for them to interact with the clients regularly and quickly to gain their trust and to obtain customer loyalty.

b. **Business operations:** with the use of technological innovations, business owners and entrepreneur understand their cash flows better, how to manage their storage cost well and enables you to save time and money.

c. **corporate culture:** technology lets employees communicate and interact with other employees in other countries. It establishes clique and prevent social tensions from arising.

d. **security:** modern security equipment enables companies to protect their financial data, confidential business information and decisions.

e. **Research opportunities:** it provides a venue to conduct studies to keep themselvesahead of competitors. It allows companies to virtually travel into unknown markets.

f. **Corporate reports:** with technology, business enterprises communicate effectively with their branch officers to deliver quality financial and operational reports.

g. **Industrial productivity:** through the use of business software programs or a software packages, it automated traditional manufacturing process, reduce labour cost and enhance manufacturing productivity. It enables companies to increase efficiency and production output.

h. **Business mobility:** technology innovation improvedcompanies' sales, services, shorted lead time on receiving and delivering goods and services. Enables them to penetrate multiple market at least costs.

i. **Reducing business cost:** small business owners can use technology to reduce a business cost. Business technology help automate back office functions, such as record keeping, accounting and payroll.

j. **improving communication:** business technology can help small businesses improve their communication processes. Emails, texting, websites and personality digital products applications, known as 'apps', can help companies improve communication with consumers.

Management of technology

1. Reduced costs of operations: for example, dell computer corporation used technology to lower manufacturing and administrative costs, enabling the company to sell computers cheaper than most other vendors.

2. New product and new market creation: for example, Sony corporation pioneered the technology of miniaturization to create a whole new class of portable consumer electronics (such as radios, cassette tape recorders, and cd players).

3. Adaptation to changes in scale and format: in the early part of the twenty-first century, companies addressed how small devices such as cell phones, personal digital assistants (PDAS), and mp3 players could practically become, as well as how each product could support various features and functions.

4. Improved customer service: the sophisticated package-tracking system developed by federal express enables that company to locate a shipment while in transit and report its status to the customer. With the development of the world wide web, customers can find the location of their shipments without even talking to a federal express employee.

5. Continuous development of technology: the continuous development of technology is valuable as long as there is a value for the customers and therefore the technology management functions in the organisation should be able to argue when to invest on technology development and went to withdraw.

Interface between technology and business

A. Social implementation

1. technology reachespeople through business.
2. Highexpectation of consumers.
3. System complexity.
4. Social change.
5. Social system.

B. Economic implications

1. Increase productivity.
2. Need to spend on research and development.
3. Jobs tend to become more intellectual.
4. Problem of techno-structure.
5. need for bio-professional and multi-professional.
6. increase regulation and stiff opposition.
7. insertable demand for capital.
8. rise and decline of products and organisation.
9. business boundaries redefined.

C. Plant level implications

A. Technology and organisation structure.

B. fear of risk.

C. Resistance to change.

D. total quality management (TQM).

E. business process re-engineering.

F. E-commerce and e-business.

G. Flexible manufacturing systemFMS).

UNIT:6 GLOBAL ENVIRONMENT

Globalisation refers to the integration of economics and societies all over the world. It involvestechnological, economic, political and cultural exchanges made possible largely by advances in communication, transportation and infrastructure.

According to Anthony McGrew defines "globalisation is a process which generates flows and connections, not simply across nation-states and national territorial boundaries but between global regions, continent and civilizations".

according to R.JHolton define "globalisation represents the triumph of capitalist world economy tied together by a global division of labour".

Nature of globalisation

- **Liberalisation:** it stands for the freedom of entrepreneurs to establish any industry or trade or business venture, with in their own countriesor abroad.
- **free trade:** it stands for free flow of trade relations among all the nations. Each state grantsMFN(most favored nation) status to other states and keeps its business and trade away from excessive and hardregulatory and protective regimes.
- **globalisation of economic activity:**economic activities are be governedboth by the domestic market and also the world market. It stands for the process of integrating the domestic economy with world economies.
- **liberalisation of import export system:**it stands for liberating the import export activity and securing free flow of goods and services across-borders.
- **privatisation:** keeping the state away from ownership of means of production and distribution and letting the free flow of industrial, trade and economic activity across borders.
- **increased collaborations:** encouraging the process of collaborations among the entrepreneurs with a view to secure rapid modernization, development and technological advancement.

- **Economic reforms:** encouraging fiscal and financial reforms with a view to give strength to free world trade, free enterprise, and market forces.

INTERNATIONAL BUSINESS

International business refers to the type of business that conducts business transaction all over the world. these transactions include the transfer of goods, services, technology, managerial knowledge, and capital to other countries international business involves exports and imports.

according to the **Daniels.J,** defines "international business comprises all commercial transactions private and government, sales, investments, logistics and transportation that takeplace between two or more regions, countries and nations beyond their political boundaries".

Challenges of international business

1. **compliances and regulations:** whether you are small business shipping homemade handbags through a website of consulting firms offering your services to multinational corporations, you must understand the and follow various rules and regulations that govern your goods and services. You must complywith that tax laws and the different countries as well as statutory export regulations.

2. **Culture and Language:** One of the advantages of a global economy is that more small businessescompete competitively. However, few small businesses are prepared to handle thecustomer service calls from China, Vietnam and other emerging markets key to thesuccess of a global competitor.

3. **Environmental Impact:** Recycling is rapidly becoming a common practice in moot U.S. compass as business leader realize the impact their behavior on global environment issues You may be challenged to incorporate successful recycling program because they may be cost-prohibitive or just inconvenient

4.**Technology and Communication:** One of the biggest challenges facing globally competitive marketplaces in communication issues that crop up when technology doesn't keep up in every nextWhen your company relies on disparate systems that can't communicate with and other, your bookkeeping get a bogged down, and orders slow or case.

5.**Cost**: This is one of the key factors that will drive you and your company towardsinternational business. You must calculate all possible costs that may be incur. Howdo you get the products delivered in the most economical way? This is the question that you must find the most accurate answer for At the end of the day if the totalcost will be more than your expectation you may reconsider taking the risk of opening your door to international business

6.**Payment Methods and Currency Rate:** These are other obstacles that the small business owner must address before accepting or placing international orders. Countries may have different paymentmethods that are locally popular bat may not be commonly used internationally. In order to secure your business always selects the about in for you. The currency exchange rate sale of importance. You must be aware of the currency exchange rates at the time of buying or selling products.

7.**Choosing the Right Shipping Method:** How to ship the cargo in a timely, safe and cost-effective fashion? Which optionled be best for you and your goods: Air, LCL or FCL? These questions may seemcomplicated if you are new to the shipping industry. When getting started youWant to reduce the risk and work with 3PL's as they have the logistics experienceknowledge, and software a small company does not have, and they cost less thanhiring employees with such expertise.

Strategies for going global

1. Severe competition in home market: Competition may become may a driving force behind globalizationMarket does not normally motivate companies to seek business outside the homeMarket. Until the liberalizations which started in July 1991, the Indian economy washighly protected market.

2. Limited home market: The domestic companies go global because of limited home market:

exampleAutomobile (suzuki) company japan is achieving more profit and sales in otherCountries when compare to their home country.

3. Political stability v/s political instability: The government policies and regulations may also motivate globalization. ManyCountries government give a number of incentives and other positive support to globalCompanies to invest in their country. Similarly, few countries political environment isNot stable in those countries doing business is very difficult

4. Availability of technology and managerial competency: Globalization helps in transfer of technology. Human resource and capital fromsurplus to the needed place by this way they achieve the business objectives.
Example:-suzuki had joint venture with maruthi car company indiabecue the technologyAnd managerial competence

5. High cost of transformation: The american based oil companies have started their branches in oil extractionCountries because of high cost of transformation due that many countries they startedTheir business in foreign countries to reduce cost of transformation

6. Nearness to raw materials: The european companies and american based companies started their branches inForeign countries where raw material in available in order to reduce transportation costAnd smooth flow of the operation.

7. Availability of human resources: The companies like bpo, kpo and other it companies enter in to india becauseAvailability of human resource in that way many companies go global to make use ofHuman and natural resources.

8 achieve high rate of profit: The domestic companies mainly go global because to achieve high rate of profit.Domestic market is limited and more completion in those case firma prefers global toAchieve profits.
example: automobile (suzuki) company japan is achieving moreProfit and sales in other countries when compare to their home country.

9. Expanding of production capacity: In many countries market is very limited the multinational companies like toyota,Automobiles, pepsi, shell, microsoft, general electrical, mcdonald have hugeProduction capacity but the domestic market is limited so they move to global marketAnd increase production, sales and high rate of profits.

10. Liberalization: Liberalization is the process of eliminating unnecessary control and restrictions on the smooth functioning of business enterprises. Abolishing industrial licensing requirements in most of the industries.

11. Increase market share: Global business has certain spin-off benefits to global business may help theCompany to improve its domestic business. Global business, thus, becomes ofGaining better market share domestically. Further, exports may have pay-off for theInternal market too by offering the domestic market better products

12. Avoid tariffs and import quotas: The global companies take into consideration of tariffs and quotas before enteringInto any foreign countries. Example: china announced less tariff to global companiesBecause of that, international trade has increased

13. Monopoly: In some cases, global business is a corollary of the monopoly power which a firmEnjoys internationally. Monopoly power may arise from such factors as monopolizationOf certain resources, patent rights, technological advantage, product differentiation etc**.** Such monopoly power need not necessarily be an absolute one but even a dominantPosition may facilitate globalization.

Advantages of globalization

1. Easy growth in technology: Globalization helps in the movement of technology from advanced countries to theDeveloping countries, so we the latter implement them in their own countries as partof Developing program.

2. Flow of capital:A country suffering from need or adequacy of capital can be financed by a country, whichHas got surplus of it, through globalization. Thus it helps in free flow of capital from oneCountry to another.

3. Wider market: Expand the market free flow of capital along with the technology helps the developingCountries to boost up their industries in their countries.

4. Increasing living standards: Further globalization reduces prices and there by enhances consumption and living standards of people in all the countries of the world.

5. Increasing job opportunities:A shift in the manufacturing facilities from one country to another country, where it isAvailable at low cost and other similar reasons, provide employment opportunities in theCountry where it has been shifted.

6. Effects on economic growth from inflation is reduced: Global competition and imports keep a lid on prices, so inflation is less likely toDerail/harm economic growth.

7. Optimum and proper utilization of resources: Human resources natural resources and capital resources to provide contributes towardsThe balanced human development across the globe.

8. More products availability: Different countries are rich in different factors of production like raw materials, cheapLabour, good climate conditions, technology etc. And create more products.

9. Decreases the discrimination among the nations: It builds good relationship between among the nations.

10. Increase unity among the nations: Results of globalization like balanced industrial, social and economic development of theWorld nations.

11. Division of labour and specialization or more products availability: To promote talent and division of labour different countries in export different products Example: kenya specialist in tea.

Brazil specialist in coffee.

Japan specialist in automobile.

India famous in textiles.

12. Cultural transformation or exchange: Cultural exchange is possible through globalizations it is reduces the physical distance andPave the way for exchange of views, opinions, ideas and thoughts etc.

Disadvantages of globalisation

1. Government policy and procedure: government policy and procedures in IndiaAre among the most complex, confusing and cumbersome in the world. Government policy and the bureaucratic culture in india in this respect are notThat encouraging.

2. High cost: high cost of many vital inputs and other is generally other factors likeRaw materials and intermediaries, power, finance, infrastructural facilities likePort, etc., tend to reduce the international competitiveness of the Indian business.

3. Poor infrastructure: infrastructure in the country is generally inadequate andInefficient and therefore, very costly, this is a serious problem affecting the Growth as well as competitiveness.

4. Obsolescence: the technology employed, modes and style of operation, etc., inGenerally, obsolete and these seriously affect the competitiveness.

5. Resistance to changes: there are several socio-political factors whole resistChange and this comes in the way of modernization and efficiency improvement.Technological modernization is resisted due to fear of unemployment.

6. Poor quality image and supply problem: due to various reasons the quality ofMany products is poor. Even when the quality is good, the poor quality imageIndia has become a handicap.

7. Trade barriers: although the tariff barriers to trade have been progressivelyReduced, thanks to the gatt/wto, the non-tariff barriers have been increasingParticularly in the developed countries. Further, the trading blocs .could also adversely affect india's business.

8. Small size and lack of experience: because of the small size and the low levelOf resources in many cases indian firms are not able to compete with the giants ofOther countries. Even the largest of the indian companies are small compared toThe multinational giants.

9. Takeover of national firms: there are a large number of cases of takeover ofNational firms by foreign firms. In some cases, the domestic firms had to handoverthe majority of equity to foreign partners of joint ventures due to their inability toBring in additional capital.

WORLD TRADE ORGANISATION (WTO)

The WTO was established on January 1, 1995. It is the embodiment Of the Uruguay round results and the successor to GATT. 76 governments Became members of WTO on its first day. It has now 146 members, India Being one of the founder members. It has a legal status and enjoys privileges And immunities on the same footing as the IMF and the world bank. It is composed of the ministerial conference and the general council. The ministerial conference (mc) is the highest body. It is composed of The representatives of all the members. The ministerial conference is the Executive of the WTO and responsible for carrying out the functions ofTheWTO. The mc meets at least once every two years. Thegeneral council (GC) is an executive forum composed ofRepresentatives of all the members. The GC discharges the functionsOf MC during theintervals between meetings of mc. The GC has three Functional councils working under its guidance and supervision namely:

A) council for trade in goods.

B) council for trade in services.

C) council for trade related aspects of intellectual property rights

Director-general heads the secretariat of WTO. He is responsible For preparing budgets and financial statements of the WTO. WTOhas Now become the third pillar of united nations organization (UNO) after World bank and international monetary.

Objectives of WTO

- To reduce the restriction on trade and services barrier
- To raise standard of living of people belonging to member countries
- To promote full employment.
- To expand production and trade.
- To optimize utilization of world resources.
- To work towards sustainable development and healthy environment go to gather
- to secure better share of growth is developing countries in the world trade
- to remove multilateral trade agreement

Functions of WTO

1. Resolve the trade disputes: the WTO administers the integrated disputeSettlement system, which is a central element in providing security andPredictability to the multilateral trading system, serving to preserve the rights andObligations of the members of WTO.

2. Administered and implementing multilateral and plurilateral tradeAgreements: the WTO facilitates the implementation, administration andOperation of the WTO agreement and the multilateral trade agreements andFurthers their objectives. It also provides the framework, for those of its membersWho have accepted them, for the implementation, administration and operation ofThe plurilateral trade agreements.

3. Act as a watch dog of international trade: the WTO is monitors allInternational trade activities and providing dispute settlement services of theMember countries

4. Act as a management consultant for world trade: the WTO is providesTechnical co-operation management training programme to its member countriesRegarding fiscal policy, monetary policy and other financial policies. (likeTechnical co-operation, training to member countries)

5. Acting as a forum for multilateral trade negotiations: the wto provides theForum for negotiations on multilateral trade relations in matters covered by itsVarious agreements. It may also, on decision by the ministerial conference,Provide a forum for further negotiations and a framework for the implementationOf their results, on other issues arising in the multilateral trade relations amongMembers

6. Co-operation with other institutions like IMF, IBRD, ILO: the WTO alsoProvides co-operation with the international monetary fund, world bank andOther international institutions.

7. Overseeing national trade policies: the WTO administers the trade policy,Review mechanism, which is designed to contribute to greater transparency andUnderstanding of the trade policies and practices of WTO members to theImproved adherence to the rules, disciplines and commitments of the multilateralTrading system and hence to the smoother functioning of the system

8. Maintains trade related data base: the WTO maintains trade data base relatedTo its member countries in order to facilitate international trade.

TRADING BLOCKS:[2010/2011-2 marks]

An agreement between states, regions, or countries, to reduce barriers to trade betweenThe participating regions.A trade block is a type of intergovernmental agreement or a part of a regional. Intergovernmental organization. It reduces trade barriers among the participating states

Objectives of trading blocks:

1) to remove trade restrictions among member nations

2) to improve social, political, economic and cultural relations among member nations

3) to encourage free transfer of resources.

4) to establish collective bargaining.

5) to promote economic growth.

Important questions 2 MARKS

1. What is business environment?
2. Write the meaning of international business?
3. Give the meaning of technological environment.?
4. What is natural environment?

5. What is ecosystems?
6. Give the meaning of technological environment.
7. What is economic planning?
8. Write the meaning of international business?
9. What is business environment?
10. What is meant by micro environment of business?
11. What is globalization?
12. What is monetary policy?
13. What is natural environment?
14. What is economic environment?
15. What is monetary policy?
16. Name any four objectives of industrial policy.
17. Name any four social impacts of technology.
18. What is globalization?
19. Expand MNC and WTO.
20. What is legal environment?
21. What is trading blocs?
22. What can you dowhat you mean by capitalism?
23. Mention the tools of fiscal policy?
24. State the difference between GAATand WTO.

5- and 15-marks questions

1. Give the meaning of external environment. Mention the types of external environment and explain the micro environmental factors.
2. Explain the objectives and limitations of industrial policy 1991.
3. explain the impact of natural environment on business decision.
4. Explain the need, benclits and objectives of privatization.
5. Explain the objectives and limitations of industrial policy 1991.

6. Explain the functions and principles ofWTO
7. Definition of business environment. Explain the significance of businessenvironment
8. Explain the impacts of industrial policy 1991 and limitations briefly explain.
9. Explain the factors affecting economy.
10. Explain the impact of technology on business.
11. Explain the functions and principles of WTO.
12. Explain the nature of business.
13. Give the meaning of economic environment and explain the component economic environment.
14. Explain the social benefits of technological environment.
15. Discuss the concept of "natural environment".
16. Write the features of business environment.
17. Briefly explain the objectives of Exim policy.
18. Explain the concept of "natural environment".