



Jaipur National University

Course Code: DBBACO103T24
Business Organization & Ethics

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Course Introduction

Business Organisation & Ethics is assigned 5 credits and 15 units. Its objective can be defined as a management team sets the tone for how an entire company runs on a day-to-day basis. When the prevailing management philosophy is based on ethical practices and behaviour, leaders within an organization can direct employees by example. They can guide them in making decisions that are beneficial to them as individuals and to the organization.

Building on a foundation of ethical behaviour helps create long-lasting positive effects for a company. One such effect is the ability to attract and retain highly talented individuals. Another is a positive reputation within the community.

Each unit is further divided into sections and sub-sections. Each unit begins with statement of objectives to indicate what we expect you to achieve through the unit.

Course Outcomes-

After studying this course, a student will be able to –

1. Cite the forms of business ownership and recognize the importance of entrepreneurs and small business to the economy.
2. Explain the management process (planning, organizing, directing, and controlling).
3. Determine ethical issues and formulate ethical and socially responsible responses.
4. Compare different organizational structures.
5. Assess the types of ethical challenges and dilemmas confronting members of a range of professions.
6. Create a new Business Unit with all technological issues.

Acknowledgement

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Unit: 1

Entrepreneurship in India

Learning Objectives:

1. Know the history of entrepreneurship in India
2. Understand the steps in its development
3. Learn about the challenges
4. Know about India's current status

Structure:

- 1.1 Origin
- 1.2 Development- Post-Independence Entrepreneurship
- 1.3 Key Developments Since Origin
- 1.4 Need for Entrepreneurship Development in India
- 1.5 Entrepreneurship in Digital India
- 1.6 Government Initiatives
- 1.7 Summary
- 1.8 Keywords
- 1.9 Self-Assessment Questions
- 1.10 Case Study
- 1.11 References

1.1 Origin

Entrepreneurship aims to form and organise a new business and begin production by raising money, recruiting employees, acquiring raw materials, and introducing innovative production methods.

In India, entrepreneurship has been prevalent from the beginning of time. It lacked the same vitality that Western countries experienced in the current time during the mediaeval and early modern periods. Instead, those who started businesses under the British administration had to overcome enormous obstacles. Some policy decisions that harmed any Indian-run business were taken during that time. However, despite the harsh circumstances, Indian entrepreneurship could not be stopped in some areas of the country.

1.1.1 Entrepreneurship in Ancient India

Before Muslim and British control, Indian society was restricted to villages and had its roots in the agricultural economy. In actuality, the self-sufficient nature of rural life and economy shielded the craftspeople from the pressures of competition. As a result, manufacturing operations were more regionalised and less specialised. For a very long time, they remained in their infancy, and conditions were essentially the same all across the subcontinent. Even though this was the norm at the time, historians like Romila Thapar see things differently. They cite that road construction opened up the subcontinent and attempted to develop a uniform system of governance during the Mauryan period. The occupation of north-western India by non-Indian people caused the Mercantile Exchange.

❖ Harappan Civilisation

The Harappan civilisation's predominant trading culture created a business relationship with Mesopotamian society. They formerly traded their homemade crafts. Throughout the Harappan period India was engaged in trade and business. Some commercial activities were restricted, including currency varieties and handcrafted metals.

❖ Guilds

An association of craftspeople and merchants that regulates the practice of their craft or trade in a specific area is known as a guild. Guilds were an increasingly significant aspect of urban life in ancient India. Artisans had no choice but to join the guilds because they needed help to compete. Additionally, the Guilds provided social status and general protection. Like modern businesses, guilds were required to register in a specific area and obtain permission from the authorities before moving. Artisans of various crafts created different guilds. There were guilds for carpenters, potters, metal workers, and other crafts.

To protect both the client's and the worker's interests, guilds established work standards, upheld the quality of final goods, and set pricing. Manufacturing was concentrated in regions with easy access to raw materials or with a history of a particular craft. From the surrounding areas, artisans moved to these locations. Guilds also served as technical education centres. It not only provided information on a specific skill but also enhanced it.

1.1.2 Entrepreneurship in Medieval India

Guilds struggled during the Middle Ages in India when the Muslim Empire ruled most of the country. The leading causes were the excessive exportation of rural surplus, inefficient use, maintenance of the metropolitan lifestyle, and constant engagement with the resource. Rural India's manufacturing activities nevertheless kept their remarkable uniformity, though. But their nature or reach was constrained.

The surpluses and profits from the countryside were concentrated in the towns, mainly used for the Muslim rulers' military campaigns.

The rate of extraction and exploitation increased further with the formation of British imperial control in India, albeit in a far more subtle and sophisticated manner. The riches and surpluses of the subcontinent were diverted to other nations with the arrival of the European rulers, turning India into a colony.

Following the enslavement of India, the British employed policies and tactics primarily aimed to maximise surplus from the subcontinent's hinterland. Of course, it was done in a far more deft way than simple looting.

1.1.3 Under British Colonial Rule

Colonial rule exploited the Indian traders to a large extent and opened new markets. Some entrepreneurial development under colonial rule is pointed out below.

1. Silk Route

The company and trades started in India following the development of international channels for trading objectives. With the leading Silk Route, India connected with the borders of other nations. The Spice Route (marine trade) connected India to various countries.

2. Second World War

During Second World War, many qualified people started small with private funds. Economic development initiatives were launched by India in all the sectors of economy after achieving Independence.

3. Industrialisation

In 1673 The East India Company launched the industrialisation process. Industrial cultures were brought to India by Britishers. They travelled to India for business in the 19th century. Industrialisation took place in the 20th century. The British primarily created the private sector. Many political and social movements, such as Swadeshi Campaign, were the result of it. Direct contribution to the rise of manufacturing entrepreneurship was by the East India enterprises in India.

1.2 Development- Post-Independence Entrepreneurship

In 1947, after a long sigh of political relief, the Indian government tried to lay out the objectives for developing a plan for achieving balanced growth. To achieve this, the government released the first Industrial Policy in 1948, which was subsequently updated frequently.

In several industrial policy pronouncements, the government outlined the state's responsibility for promoting, supporting, and expanding enterprises in the public interest.

Additionally, enough room was reserved for the private sector, explicitly acknowledged as crucial in stimulating industrial development.

1.2.1 Slow Growth

Although the Government promoted entrepreneurship, several obstacles were standing in the way of the sector's expansion in India. Chief among them being the following:

- Inadequate communication between several agencies
- Inadequate infrastructure
- A wasteful investment
- Lack of training resources
- Ineffective marketing and distribution strategies
- A poor social structure
- Hereditary nature of the profession
- Lack of sufficient funding
- Administrative efficiency
- Government regulations and policies frequently change.
- Insufficient entrepreneurial spirit
- Lack of consideration for small business owners by large institutions

1.3 Key Developments in Entrepreneurship Since its Origin in India

1. The Indus Valley Civilization represented organised business at a time when people only needed to clothe themselves.
2. In the beginning, an Indian trader initiated re-exporting by purchasing Chinese silk and selling it to central Asia. They sold horses to the Chinese after purchasing them from West Asians.
3. The Maurya Empire is hailed as one of the most significant periods in Indian history, a period of unification and independence. Metallic money and missions to Sri Lanka and Southeast Asia became popular when Trade increased.
4. Associations of Traders were made in the Gupta Period (400-600 AD) to safeguard interests in international business codification.
5. Between 700 and 1300 A.D., paper and printing were invented. Roads and dams facilitate trade in the southeast. Asia and Indonesia.

6. A monopoly over international trade and a massive influx of gold and silver into the nation characterised the Mughal era (1500–1600 AD).
7. The British arrived during the Mughal Era II (1600–1700 A.D.).
8. Europe (1700-1850 A.D.) was then the centre of technological innovation. One early entrepreneur was a Surat trader named Virji Vora. The dealers introduced several innovative commercial practices. Many Indians became entrepreneurs by seizing the chances that arose.
9. In 1854, Dwarkanath Tagore and Carr Tagore Nanabhai Davar, a foreigner, established the first joint venture in the history of India. However, they were unable to run.
10. The railroads were built in 1853 during the second colonial era (1850–1900 AD).
11. First cotton mill in Bombay was built by Nanabhai Davar.
12. Jamshedpur Steelworks was established by Sir J.N. Tata
13. Way for Indian business people was paved by JRD Tata, MS Oberai, and Jamnalal Bajaj.
14. Scale industrialisation started to emerge after independence, which led to the emergence of businessmen like Dirubai Ambani.
15. Globalisation led to the rise of businessmen like Premji, Narayana Murthy, Rajesh Jain, etc.
16. The character of the entrepreneur has transformed over the past 68 years in India. Today's businesspeople are wealth producers, communicators, change agents, entertainers, and more.

1.4 Need for Entrepreneurship Development in India

Entrepreneurship is a tool for advancing society and the economy. Modern technology will help entrepreneurs to surpass the competition and revolutionise the market; they are confident. The following factors highlight the necessity for entrepreneurship growth in India.

- Better Career Possibilities

The fact that they help create more excellent work prospects is one of the most crucial arguments favouring promoting entrepreneurial programmes in India. Entrepreneurs produce

much employment since most companies require many people to work under varied profiles. With this task market has dramatically increased. However, it is only possible due to direct result of an effective programme for entrepreneurial development.

- Creates a setting for independent work.

The fact that entrepreneurship programmes foster an independent work environment is another encouraging principle. Since there is no need that one work for a specified boss, there is a great opportunity of flexibility. Consequently, a programme for entrepreneurship development can also benefit you in this area.

- Assists Business Owners with a Vision.

Imagining one's life and career is undoubtedly one of the essential benefits of entrepreneurship development programmes. Entrepreneurs have a lot of creative thoughts but need more knowledge to execute them. The growth programmes help entrepreneurs to grow. Financial strategizing is a skill that the programme assists in developing.

- Solves Issues Facing the Masses

Entrepreneurs who want to succeed in business must concentrate on issues that affect most people. An entrepreneurship programme can assist in developing this vision, which can support the creation of sustainable enterprises. Entrepreneurs need to have a concrete idea as it helps them make better judgements in situation of uncertainty.

- Strengthens the Nation's Economy.

Programmes for entrepreneurship are also important to the nation's economy. Promoting entrepreneurship in the correct direction, given that our economy needs a push and these development programmes focuses on creating jobs, which improves cash movement. Additionally, these programmes lead in uplifting standard of life.

- Take into consideration regional resources.

The economic growth of a nation's states also matters for its GDP. Moreover use of local resources promotes a state's growth. These programmes emphasise using local resources, increasing demand for them, helping with money creation, and encouraging economic jurisprudence.

1.5 Entrepreneurship in Digital India

The GOI has undertaken the initiative of Digital India to transform the economy. The programme intends to equip citizens, businesses, and government organisations with digital infrastructure, literacy, and services.

1. Increased market accessibility

Indian entrepreneurs now have more market access because of digitalisation. Using the Internet and e-commerce platforms, business owners may connect with clients across India and even the world. Small and medium-sized businesses (SMEs) now have more chances to compete with big companies and grow their consumer base.

2. Affordable marketing

Digital marketing has become a viable option for business owners advertising their goods and services. Businesses can design focused campaigns that reach their desired audience at a fraction of the expense of conventional marketing techniques using social media platforms.

3. Heightened interest from customers

Engaging with customers has become simpler for business owners thanks to digital tools and platforms. Chat bots and social media platforms allow business owners to interact with their clients, get their opinions, and foster brand loyalty. As useful tools for consumer involvement, online forums and customer support portals have also evolved.

4. Obtaining funds

Entrepreneurs now have easier access to capital because of digital India. Entrepreneurs can use online lending and crowdfunding sites like Ketto and Milaap to raise money for their business concepts. The government has also introduced some programmes to encourage entrepreneurship and offer cash and other forms of support to businesses, including Stand-Up India and Start-up India.

5. Flexible working conditions

Entrepreneurs may now work from anywhere, anytime, thanks to digitalisation. Entrepreneurs may save and retrieve files using cloud-based tools and platforms like Google Drive, Dropbox, and Slack from any location with an internet connection. Remote connections with clients and team members are made possible for business owners through video conferencing platforms like Zoom and Skype.

6. Government assistance

As part of its numerous programmes and attempts to encourage entrepreneurship, the government has launched multiple initiatives supporting Digital India. By offering money, mentorship, and other forms of support, the Startup India programme strives to develop an environment favourable for businesses in India. The government has also started the Digital India Internship Programme to give young people training and job possibilities in digital technology.

7. Skill Improvement

Digital literacy and skills promotion has also received substantial attention from Digital India. Initiatives to promote digital skills training and education are The National Digital Literacy Mission and the Digital Saksharta Abhiyan. This has given business owners the ability and information to seize digitisation opportunities.

1.6 Government Initiatives

S.No	Scheme	Supporting Agency	Eligibility
1	Start-up India Seed Fund Scheme	DPIIT -Department for Promotion of Industry and Internal Trade	“The Start-up India initiative of the Government of India promotes building a Start-up ecosystem in the country. It is for nurturing innovation and providing opportunities to budding entrepreneurs.”
2	[The Venture Capital Assistance Scheme]	Ministry of Agriculture and Farmers Welfare	Promoted farmers and companies for agribusiness projects.
3	(Stand-Up India for Financing SC/ST and Women Entrepreneurs)	Promoted by SIDBI - Small Industries Development Bank of India	“SC/ST and/or women entrepreneurs, above 18 years of age -Available for only Greenfield projects.”
4	Single Point Registration	Ministry of Micro Small & Medium Enterprises	“All Micro & Small Enterprises having EM Part-II (Optional)/ Udyog Aadhaar Memorandum (UAM) are eligible for registration with NSIC under its Single Point Registration Scheme (SPRS). Micro & Small Enterprises yet to complete one year of existence.”
5	(Dairy Entrepreneurship Development Scheme)	Implemented by [NABARD - National	“Includes Self-help Groups (SHGs), cooperative dairy

		Bank for Agriculture and Rural Development]	societies, milk unions, milk federations, etc.”
6	SBIRI -Small Business Innovation Research Initiative BIRAC-(Biotechnology Industry Research Assistance Council)	(Department of Biotechnology, Ministry of Science & Technology)	[Company incorporated under the Companies Act, 2013 LLP-Limited Liability Partnership incorporated under the Limited Liability Partnership Act, 2008 Joint Ventures either in the form of Company/ LLP by any of the above entities jointly with another private or public partner]
7	[MUDRA -Micro Units Development and Refinance Agency Ltd.]	Pradhan Mantri Mudra Yojana	“Traders, Shopkeepers and other Service Sector activities Working capital loan through MUDRA Cards Equipment Finance for Micro Units Transport Vehicle loans”
8	[PRISM - Promoting Innovations in Individuals, Start-ups and MSMEs]	Department of Science & Industrial Research	“Any Indian citizen who wish to translate their vision into working prototypes/models/processes; public-funded institutions or organisations viz. Autonomous Organizations or Society registered under the Societies Registration Act, 1860”
9	[NewGen Innovation	Department Of Science &	“To channelize the knowledge

	and Entrepreneurship Development Centre]	Technology (DST)	and the energy of youth towards becoming active partners in the economic development process To catalyse and promote the development of knowledge-based and innovation-driven enterprises and promote employment opportunities amongst the youth, especially students To inculcate a culture of innovation-driven entrepreneurship To act as an institutional mechanism for providing various services including information on all aspects of enterprise building to budding S&T entrepreneurs.
10	Sustainable Finance Scheme	[SIDBI - Small Industries Development Bank of India]	“Existing MSME units would be eligible for assistance under the scheme.”
11	Material Testing Labs	[Ministry of Micro, Small and Medium Enterprises]	“Any manufacturing MSME having Udyog Aadhaar Memorandum can apply for assistance under the Scheme”
12	[International Cooperation (IC) Scheme]	[Ministry of Micro, Small & Medium Enterprises]	The organisation should be suitably registered with the primary objective of promoting and developing MSME.

Table 1.1: Government Schemes for Entrepreneurs

Source: StartupIndia.Gov

Some Other Schemes

1. Aspire - A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship
2. Technology Development Programme
3. Self Employment Lending Schemes Credit Line 1-Term Loan Scheme
4. Self Employment Lending Schemes Credit Line 2-Term Loan Scheme
5. Software Technology Park Scheme
6. Raw Material Assistance Scheme
7. Credit Facilitation Through Bank
8. NSIC Infrastructure Scheme - IT Incubator
9. The Women Entrepreneurship Platform (WEP)
10. Support to training and employment programmes for women
11. Self Employment and Talent Utilisation (SETU)
12. Entrepreneurial and Managerial Development of SMEs through Incubators
13. Composite Loan

1.7 Summary

- ❖ Entrepreneurship aims to form and organise a new business and begin the production by raising money, recruiting yeas, acquiring raw materials, and introducing innovative production methods.
- ❖ Before Muslim and British control, Indian society was restricted to villages and rooted in the agricultural economy.
- ❖ The Harappan civilisation's predominant trading culture created a business relationship with Mesopotamian society.
- ❖ An association of craftspeople and merchants that regulates the practice of their craft or trade in a specific area is known as a guild.
- ❖ To protect both the client's and the worker's interests, guilds established work standards, upheld the quality of final goods, and set pricing.
- ❖ Guilds also served as technical education centres. It not only provided information on a specific skill but also enhanced it.
- ❖ With the Silk Route, India connected to bordering other nations.

- ❖ The East India Company launched the industrialisation process in 1673.
- ❖ Indian entrepreneurs now have more market access because of digitalisation.

1.8 Keywords

1. **Entrepreneurship:** Establishing and running a new company by collecting money, hiring staff, and using cutting-edge manufacturing methods.
2. **Harappan civilisation:** An ancient civilisation in the Indus Valley, characterised by its advanced trade practices and cultural interactions with Mesopotamia.
3. **Guild:** It was an organisation of skilled artisans and merchants who regulated trade, established standards, maintained quality, and influenced pricing in a specific geographical area.
4. **Silk Route:** Trade route facilitated the exchange of goods, ideas, and cultures between Asia, India, and Europe.
5. **Digitalization:** It is a process of converting information from analogue to digital form, enabling the utilisation of digital technologies and platforms, leading to increased market opportunities for Indian entrepreneurs.

1.9 Self-Assessment Questions

1. When did entrepreneurship start gaining prominence in India?
2. What key factors contributed to the growth of entrepreneurship in India?
3. Who is considered one of the pioneers of entrepreneurship in India?
4. What challenges are entrepreneurs facing in India, and how have they been overcome?
5. How has the advent of technology and digital platforms impacted the entrepreneurial ecosystem in India?
6. Can you identify some successful Indian entrepreneurs and their contributions to economic growth?
7. Discuss the influence of globalisation on the nature and scope of entrepreneurship in India.
8. Mention some key entrepreneurial developments in Mauryan and Mughal Periods.
9. Mention any five government-initiated schemes.

1.10 Case Study

The Indus Valley Civilization, which existed in India between 3300 and 1300 BCE, is one well-known example of early entrepreneurial activity. This ancient society, noted for its trading networks and urban planning, displayed impressive entrepreneurial abilities. The inhabitants of the Indus Valley engaged in various commercial pursuits, including producing and exchanging numerous items like pottery, jewellery, textiles, and metallurgy. They created advanced manufacturing methods and effective commercial channels that connected their towns to areas as far away as Mesopotamia and Central Asia. Standardised weights, seals, and a town planning system all point to a well-functioning economic structure that encouraged initiative and aided the expansion of trade and commerce in the ancient Indian subcontinent.

Questions:

1. Describe the entrepreneurial activities undertaken by the people of the Medieval India and their significance in the context of ancient commerce and trade networks.
2. Analyse the impact of the GOI entrepreneurial activities on economic development and cultural exchange at global level, highlighting the importance of trade networks and the types of goods traded.
3. According to your understanding, what could be business challenges during that time? Mention any two.

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Unit: 2

Women Entrepreneurship and Challenges

Learning Objectives:

1. Learn about the challenges faced by Entrepreneurs
2. Know about ways to overcome
3. Be able to suggest ways to improve
4. Become aware

Structure:

- 2.1 Challenges to Entrepreneurship
- 2.2 Challenges to Women Entrepreneurs
- 2.3 Solutions to Overcome Challenges
- 2.4 Suggestions for Entrepreneurial Development
- 2.5 Summary
- 2.6 Keywords
- 2.7 Questions for Self-Assessment
- 2.8 Case Study
- 2.9 References

Problems and Suggestions

2.1 Challenges to Entrepreneurship

Favourable atmosphere was created for entrepreneurs by The Make in India campaign and Start-up India. Middle class expansion, hi-tech technology, and the rise of digital arenas are major factors that gave boom in Indian entrepreneurship. Investments from multinational corporations like Google, Face book, and Amazon have further strengthened the entrepreneurial ecosystem and encouraged more business owners to explore and expand their enterprises.

However, entrepreneurs who want to launch a business must overcome many obstacles in a highly competitive business environment. In a nation like India, known as the world's start-up capital, the government is working to improve the environment for business owners by introducing initiatives like Start-up India and promoting home-grown manufacturing like the Make In India programme.

Raising funds, suggestions and resources to expand, and operations in dynamic environment are the common issues. Most entrepreneurs have faced these difficulties and continue to meet them.

- **Having Trouble Getting Funds**

Unavailability of operating capital is the problem that Indian business always has to deal with. Regular money supply is difficult for the operations of new firms. Buffer cash is required by Start-up owners.

- **Ineffective Business Planning**

Careful planning is required by startup to survive in the cutthroat industry Most Indian startups end due to poor business planning.

The business strategy is required for all the aspects of start-ups. A Plan B is crucial in situation of unexpected events. Analysis of upcoming business trends is necessary to plan for any potential industrial opportunities or threats.

- **Finding the Right Talent**

Finding the right people for the proper positions is a challenge faced by almost all business owners. It can be hard to match the goals of your start-up with the skills of your personnel before you have the right people in place to run your operations. Improper hiring practices and unequal employment distribution often have serious repercussions for Indian companies. Hiring is an expensive procedure.

- **Limited Marketing Budgets**

Entrepreneurs mostly make mistakes on the importance of marketing operations. As a new company, one must invest in visibility initiatives to build brand recognition. Investing in pricey marketing initiatives becomes challenging when one has a small amount of cash. A firm may suffer if the entrepreneur fails to take advantage of marketing opportunities.

- **Business Infrastructure Deficiencies**

The biggest challenges faced by most Indian businesses are the lack of proper business infrastructure. As they are new to the business world, entrepreneurs find it difficult to determine which industry resources are best for them. The requirement for additional money makes it much harder for businesses to regularly purchase the newest office supplies.

- **Managing Recommendations and Criticism**

Startups receive a criticism and remarks. It can be difficult for an entrepreneur to handle continuous criticism of their company, particularly in the beginning. Most business owners require assistance in comprehending how to handle and responds to comments and critiques.

2.2 Challenges to Women Entrepreneurs

7 out of 100 business owners in India are women (Mastercard Index of Women Entrepreneurs,). There is a gender gap of 72% in India's labour market (World Economic Forum's 2021 report). Some of the challenges which they face are listed below:

Few industries are welcoming to women.

A recent research reveals that most women-owned firms operate in low-profit industries. Women entrepreneurs are also forced to work in fields historically referred to as "women-friendly" due to the male-dominated nature of many businesses. It hinders their access to chances, experiences, and expertise.

Lack in Institutional and Social Support

While starting their firms most women entrepreneurs don't get the social support from peers, family, and local communities. Lack of business community mentorship is the main problem affecting women entrepreneurs in the country. Due to absence of strong support network their confidence and willingness to take risks are severely impacted.

Poor Prospects for Funding

There are inequalities related to gender in India's funding scenario. There is lack of access to funding for women-owned enterprises.

Entry to professional networks is restricted.

The restricted entry to professional networks is a core problem. Female entrepreneurs have fewer connections to social and professional networks (The Google-Bain survey). More than 45% of small business owners in urban areas face difficulties with network development (According to the poll).

Moreover most modern day professional networks are led by men, which makes it difficult for women to access or navigate these environments.

Lack of supportive environment for entrepreneurs

The way to become an entrepreneur is quite long and filled with learning, unlearning, and skill-ups. One must be intelligent enough to own a successful firm. However, the absence of such a productive setting frequently affects a lot of ladies.

Many women unwillingly operate their businesses from home. This is because of their family responsibilities. They pass on opportunities to expand their market access and interact with the business community. It also restricts their access to other learning opportunities, mentors, and resources.

Limited Movement

Women business owner has restricted mobility. As per safety they cannot travel alone or stay in hotels. Women who are financially independent started to invest in cars. There are still fewer women in India who own motorised vehicles.

Safety Issues

Crime against women has increased due to the law and order situation. There are hurdles for female entrepreneurs requiring mobility to conduct their company activities. Women find it difficult to travel to many places.

2.3 Solutions to Overcome Challenges

Here are a few suggestions and solutions to entrepreneurs' most common challenges.

- **The development of a sales plan**

An entrepreneur may recognize potential in a specific group. While creating a marketing plan, there are two options: hire an expert or do it themselves. Businesses

may assess their target market and the best method of reaching them in order to accomplish this.

- **Creating initial funding**

There are ways to start a business with less capital. Either it can be started with a conventional bank loan or a small company loan from the government. Funding effort can also be launched if they intend to offer a good or service for which they know about the demand.

- **Adhering to a budget**

Since managing a business is so unpredictable, entrepreneurs should be ready by closely monitoring their spending plan. They can accomplish this by concentrating on effective marketing techniques and allocating the last resources in accordance with their specific requirements. By recognizing necessary expenses, entrepreneurs can modify their financial plans to better prepare for market swings.

- **Sustaining earnings**

Entrepreneurs must carefully manage the finances of their business, accounting for any invoice payment delays. In order to be sure they can control spending until they receive the entire amount, they could ask for an upfront payment in addition to budgeting. By submitting their invoices on time and demanding payment right away after a project is finished, business owners can raise the capital they need to maintain profitable operations.

- **Recruiting for the organisation**

To make sure they select people who are committed and aligned with the objectives of an Organization, entrepreneurs have to focus on recruiting process. They could post thorough job advertising to draw applicants whose qualifications match the particular needs of the company. Creating interview questions in advance may help in finding

whether a potential hire will fit in with the company's culture and whether the position will be of help towards the professional goal

- **Managing personnel**

As founders and leaders, entrepreneurs train their employees to accomplish the goals of the organization. This is achieved by creating precise and comprehensive guidelines for every role. When business owners successfully convey the organization's objectives, staff members are better able to comprehend their roles and the goals they are working toward.

- **Expanding the company**

Once the company is successful Entrepreneurs may grow their firms. Handling increased demand, finding new partners, and reevaluating their position within the organisation are the factors that need to be considered at this phase of business.

- **Managing time**

Deadlines are to be set by Entrepreneurs to prioritise their responsibilities. They can manage their time in various ways. They may determine which jobs are essential to be delegated.

- **Maintaining one's confidence**

A great deal of self-assurance is required for starting and maintaining a business. Entrepreneurs must continue to have faith in themselves. They could set short- and long-term objectives and assess their progress on a regular basis. It might also be helpful to cultivate a friendly atmosphere with kind managers and staff. An entrepreneur that exudes confidence will probably feel more equipped to face obstacles.

- **Collaborating with others**

Business owners must think about collaborating with other experts or companies. Though there are a few things to consider, this may help in allocating leadership duties and increasing resources. In order to move the business forward, entrepreneurs should first identify areas that need improvement, determine the possible advantages of forming a partnership, and examine how their respective personalities and skill sets mesh. Establishing the parameters of the collaboration with legal advice is crucial to safeguarding the interests of all parties involved.

2.4 Suggestions for Entrepreneurial Development

- A framework for the growth of entrepreneurs in the nation's underdeveloped regions must be found.
- The nation's educational system must be redesigned to focus on entrepreneurship and jobs.
- The industrial departments should conduct feasibility studies to identify opportunities for establishing industries and produce and distribute prospective industrial maps to the public.
- More technical and vocational education institutions and scholarships should be offered to encourage people to start their businesses.
- To educate young people, various self-employment programmes should be given more publicity.
- The expansion of consulting services is required at various industrial estates and zones.
- New entrepreneurs should periodically be informed through efficient communication channels about the numerous assistance incentives and other motives provided by the government and other authorities.
- Small business owners could benefit from a new tax framework.
- For industry development, there should be sufficient infrastructure in rural areas, such as roads, electricity, and water.
- To foster an environment conducive to investment, necessary improvements should be made to the industrial policy that the government periodically announces.

- There is also a need for a stable capital market in the nation.
- In exchange for participating in trade shows and exhibits, more units might be granted.

2.5 Summary

- Favourable atmosphere for aspiring entrepreneurs is the result of The Make in India campaign and Startup India initiatives
- Investments from multinational corporations like Google, Facebook, and Amazon have further strengthened the entrepreneurial ecosystem and encouraged more business owners to explore and expand their enterprises.
- As a new company, one must invest in visibility initiatives to build brand recognition. Investing in pricey marketing initiatives becomes challenging when one has a small amount of cash.
- 7 out of 100 business owners in India are women (Mastercard Index of Women Entrepreneurs).
- There is a lack of mentorship from the business community for women.

2.6 Keywords

- **Make in India campaign:** A government programme to support domestic industry and attract foreign capital to India.
- **Startup India initiatives:** Programmes and policies created by the government to aid in and promote the expansion of startups and entrepreneurship in India.
- **Operating capital:** The sum needed to cover a business's ongoing costs and operational requirements.
- **Brand recognition:** The degree to which clients are aware of specific brand or business.
- **Gender gap:** the unequal treatment of men and women regarding opportunities, resources, and outcomes in various societal domains, such as politics, business, and education.

2.7 Self-Assessment Questions

- What are the fundamental financial challenges entrepreneurs commonly encounter when starting a new business?
- How do entrepreneurs navigate the competitive landscape and overcome market challenges?
- What are the psychological and personal challenges that entrepreneurs often encounter, predominantly female entrepreneurs?
- Suggest five ways that could help solve entrepreneurial challenges.
- What are some recommended approaches and tools for entrepreneurs to streamline their organisational and operational processes?
- What practical strategies and resources can entrepreneurs utilise to overcome financial challenges, such as accessing alternative funding options, developing strong financial management skills, and leveraging government initiatives or grants?
- What initiatives by the government would help entrepreneurs? Mention any five.
- What are some strategies for entrepreneurs to maintain a healthy work-life balance?
- Write a brief note on the disparity of funds for male and female entrepreneurs.
- What recommended approaches for entrepreneurs to enhance their networking and mentorship opportunities?

2.8 Case Study:

Anita, a driven and creative female entrepreneur, had to overcome many obstacles to launch her business in India. Even with a strong business strategy and thorough market research, she needed help getting finance from conventional financial institutions. During discussions with prospective investors, Anita encountered gender prejudices where people questioned her talents simply based on her gender.

Questions:

- Based on your reading, mention the challenges faced by women entrepreneurs.
- How can seeking mentorship and networking with successful female entrepreneurs help?
- What suggestion would you give to eradicate such prejudices? Mention any three.

2.9 References:

- Raman. “15 Major Problems Faced by Women Entrepreneurs in India While Starting a Business in 2023.” *The Office Pass*, 24 Apr. 2023
- C.B. Gupta: Business Organisation (National Publishing House, New Delhi)

Unit: 3

Entrepreneurial Centers and Policies

Learning Objectives:

1. Know about RIICO
2. Understand its Role and Functions
3. Learn about District Industrial Centres
4. Learn about their importance

Structure:

- 3.1 RIICO
- 3.2 District Industries Centres
- 3.3 Schemes under DIC
- 3.4 Summary
- 3.5 Keywords
- 3.6 Questions on Self-Assessment
- 3.7 Case Study
- 3.8 References

Role of RIICO and District Industrial Centers

3.1 RIICO

A vital organisation of the Rajasthan government, Rajasthan State Industrial Development and Investment Corporation Ltd., or RIICO, has contributed significantly to the state's industrial growth. On March 28, 1969, the Rajasthan State Industrial & Mineral Development Corporation (RSIMDC) was incorporated under the Companies Act 1956.

The government of Rajasthan owns RIICO, which serves as the top agency for developing industrial infrastructure throughout the state. RIICO's primary activities include site selection and land acquisition, building industrial area infrastructure, financial assistance for small, medium and large-scale projects, merit-based equity participation in large projects, technical consultancy for project identification and technical tie-up, escort services, facilitation of government clearances and extending incentives and concessions following State Government policy.

3.1.1 Divisions in RIICO

RIICO has divided itself into various categories for efficient functioning per its delegated tasks and functions.

- **The Division of Industrial Development** assesses loan applications to determine whether to approve financial help and works to identify and promote projects in cooperative/assisted sectors.
- **The Investment Division** is responsible to run and keep track of the finances for various programmes providing industrial growth funding.
- **Industrial Promotion and Infrastructure:** To develop and administer industries and industrial regions within Rajasthan.
- **The Finance division:** It is responsible to obtain the money to prepare the P&L account and balance sheet which is the requirement of the Companies Act.
- **Administration and coordination:** Work on hiring, training, placing, etc., staff and creating a pleasant workplace for effective operations.

3.1.2 Objectives

RIICO aims to fulfil the following objectives

- To promote the industries in the state with the highest value addition.
- To give provision of all required infrastructure (including residential, social, and commercial facilities infrastructure, energy and water infrastructure) to accomplish the above mentioned goals.
- To give entrepreneurs the necessary financial support and direction to start businesses in the State.
- To locate and market entrepreneurial talent to expand the state's entrepreneurial base.
- To offer project concepts, detailed blueprints, and ideas for the State's industrial undertakings.
- To perform the role of a merchant banker to enable the State's access to all relevant services.
- Education facilities, parks, post offices, banks, shopping centres, homes, etc., are all examples of social infrastructure.

3.2 District Industries Centre

District Industries Centres (DICs) offer complete support to business owners starting their enterprises independently and locally. These facilities provide pre- and post-investment assistance and support to small business owners under one roof. To promote small-scale enterprises in rural areas, the DICs programme was launched on May 1st of, 1978.

The central and state governments' DICs carry out numerous projects and programmes. The district industries centre is where small businesses register, and the DIC also manages the PMRY (Pradhan Mantri Rojgar Yojana) programme. The state government is in charge of DIC management.

Aims:

To provide assistance

To support entrepreneurs of multi-regions

DICs offer entrepreneurs total support and help them launch and grow their businesses. This government initiative produces better outcomes in fostering self-employment than earlier projects. The regional imbalance between the nation's developed and emerging regions will be addressed.

3.2.1 Objectives

The primary goals of DICs are as follows:

1. To help new entrepreneurs with their startups
2. To give smaller blocks access to resources like money and other amenities.
3. To intensify all industrialisation activities at the district level.
4. To advance both the industrialisation of rural areas and the growth of handicrafts.
5. To achieve economic equality within the district.
6. To make numerous government programmes available to new business owners.
7. To reduce the regional development imbalance.
8. To consolidate all required resources under one roof.

3.2.2 Composition

District Industries Centres have a General Manager, four functional managers, and three project managers.

Three functional managers would work in the village industries, credit, and economic investigation. At the same time, the fourth available manager may have responsibility of marketing of raw materials and training. It depends on the needs of specific district.

Project managers offer technical assistance per the needs of the concerned district. They are responsible for promoting the modernisation and improvement of small-scale technology.

3.2.3 Functions

The involved state and federal governments jointly fund the DIC's programme. It participated in various promotional activities to encourage the growth of district-level small unit sectors. The DIC mainly conducts the following tasks:

- **Identify Entrepreneurs:** The DICs run various district motivational programmes to identify entrepreneurs. It is explicitly done under multiple initiatives and in conjunction with SISs and TCOs to carry out entrepreneurial programmes.
- **Purchase of Fixed Assets:** The DICs advise prospective entrepreneurs to apply for loans from some of the relevant financial and development institutions, such as NSIC, SISI, etc., to purchase fixed assets. The DCIs also advise commercial banks to help SSI meet its daily working capital needs.
- **Offers financial aid and other incentives:** DCIs assist rural residents in obtaining financial assistance from the government under various programmes. It improves the financial capability of units.
- **Import and export guidance:** The government offers various incentives for importing and exporting specific commodities and services. Based on the DIC's recommendation, the licence for the importer and exporter is granted.
- **Entrepreneurial training programmes:** DCIs permit numerous training programmes for rural business owners who are just starting, and they also suggest that other institutions participate in these programmes. These are designed to help budding entrepreneurs more effectively.
- **Gives educated unemployed people a job:** The program of DICs help educated unemployed young people by giving them resources for self-employment. The minimum need is a metric or technical trade; the age range is 18 to 35. In this case, the fact that women and technocrats are given prominence is noteworthy.

3.2.4 DIC- An essential help to Small & Cottage Industries

District Industries Centres give hope to small-scale and cottage industries, for they contribute in manifold ways. Some of these are as follows:

- DIC provides information on sources for machinery and equipment.
- Advances in electronic sectors, new industrial growth centres, etc.
- Runs a variety of training programmes to support entrepreneurs.

- Information on the import and export of particular commodities and services.
- Enhances managerial capability by hosting a variety of seminars, workshops, etc.
- It solves issues with SSI registration, bank loans, production marketing, etc.
- Single-window support is provided through District Industries Centres and SIDA.
- Standardisation of goods
- Product promotion for non-traditional energy sources.
- Handicraft product development and design

3.3 Schemes under DIC

Some of the programmes run by the District Industries Centre (DIC) include the following

1. The Prime Minister's Employment Generation Programme:

Ministry of Micro, Small & Medium Enterprises are in place since October 2008. Aim is to give educated unemployed people alternatives for industrial activities, services, and businesses.

2. Seed money programme:

The program aims to entice unemployed people to start their businesses in the manufacturing, service, and retail sectors by offering lenient loans to cover some of the margin requirements for institutional financing.

3. DIC loan programme:

With an investment of Rupees two lakhs in plant and equipment, the initiative generate employment opportunities for small units in rural and urban regions with a population under one lakh.

4. Programmes for the development of entrepreneurs:

These are designed to prepare educated unemployed people for self-employment or skilled wage work. Entrepreneurs receive advice on business, industrial, and service operations and improve their skills. Entrepreneurs receive guidance with the choice of activity, land requirements, the project report, the acquisition of different no objection certificates, licences, and marketing strategy.

5. District award schemes:

Owners, partners, and directors of businesses that have been in operation for at least two consecutive years and have secured EM registration with the relevant District Industries Centre are eligible for the prize. Under the terms of this District Award programme, they are given these awards.

6. PMRY programme:

On October 2, 1993, the PMRY (Prime Minister Rozgar Yojana) programme was unveiled. The goal was to give educated unemployed youth simple, low-cost financial help so they could launch their firms in industries like manufacturing, business & service. The first goal was to create 7 lakh micro firms within two and a half years. The scheme successfully grabbed the youth's imagination.

3.4 Summary

- A vital organisation of the Rajasthan government, Rajasthan State Industrial Development and Investment Corporation Ltd., or RIICO, has contributed significantly to the state's industrial growth.
- The government of Rajasthan owns RIICO, which serves as the top agency for developing industrial infrastructure throughout the state.
- The Investment Division is responsible for running and keeping track of the finances for various programmes providing industrial growth funding.
- RIICO emphasises the development of the social and industrial infrastructure in and surrounding industrial zones.
- District Industries Centres (DICs) offer complete support to business owners starting their enterprises independently and locally.
- The district industries centre is where small businesses register, and the DIC also manages the PMRY (Pradhan Mantri Rojgar Yojana) programme.
- The state government is in charge of DIC management.
- District Industries Centres have a General Manager, four functional managers, and three project managers.
- DCIs assist rural residents in obtaining financial assistance from the government under various programmes.

3.5 Keywords

- **RIICO:** It is a vital organisation owned by the government of Rajasthan. It serves as the top agency responsible for developing industrial infrastructure in the state.

- **Rajasthan State Mineral Development Corporation (RSMDC):** RSMDC is a corporation formed due to the division of RIICO on January 1, 1980. It is focused on the development of mineral resources in Rajasthan.
- **Industrial Infrastructure:** RIICO emphasises the development of social and industrial infrastructure in and around industrial zones in Rajasthan.
- **District Industries Centre (DIC):** DICs are centres established at the district level to provide comprehensive support to local business owners starting their enterprises. They handle registration, manage programs like PMRY, and offer assistance in obtaining financial aid and marketing support.
- **Pradhan Mantri Rojgar Yojana (PMRY):** The program managed by the DICs aims to provide employment opportunities to the youth by assisting them in setting up their small businesses. The DICs play a role in addressing this program and providing necessary information and support to the participants.

3.6 Self-Assessment Questions

Describe the role of RIICO.

- Is RIICO efficient in its work? Do you agree that dividing departments according to work is an advantage? How?
- List some aims and objects of RIICO.
- Write a brief note on the origin of RIICO and DIC.
- Explain any two schemes under the District Industries Centre.
- How is DIC an essential source of help to small-scale industries? Mention any five points.
- Explain the structure of DIC in brief.
- A critical function of DIC is to identify entrepreneurs. Can you enumerate other vital functions it performs?
- Explain the contribution of RIICO and DIC to entrepreneurial development in India.
- Explain the PMRY scheme under DIC. Give your opinion about its success or failure.

3.7 Case Study

The Jonesville neighbourhood formerly served as a thriving industrial centre, but over time, it has seen a fall in its manufacturing and production industries. The local government launched a comprehensive revitalisation strategy to address this issue and encourage economic growth by reviving the district industries sector. Infrastructure development, investment incentives, and talent development initiatives were all part of the strategy's many facets. To entice enterprises, the government refurbished already-existing industrial parks, constructed brand-new ones, and offered discounted land and services. To promote investment, they also instituted tax cuts and reduced administrative procedures. These efforts had a notable positive impact on the district industries sector.

Questions:

1. Discuss the factors that are responsible for success of the revitalisation plan in Jonesville?
2. What were the positive outcomes of the district's industries sector revival regarding job creation and living standards?
3. What, according to you, is the significance of having DIC in India?

3.8 References

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Unit: 4

Business Organisation

Learning Objectives:

- Learn the concept of Business Organisation
- Learn its steps
- Understand the considerations
- Know its characteristics

Structure:

4.1 Introduction

4.2 Importance of an Organisation

4.3 Characteristics of an Organisation

4.4 Steps in the Process of Organisation

4.5 Consideration

4.6 Essential Elements of a Consideration

4.7 Summary

4.8 Keywords

4.9 Self-Assessment Questions

4.10 Case Study

4.11 References

4.1 Introduction

A business organisation is an entity created to conduct business. The organisation's foundation is a system of regulation leading agreement and trade, goods of human rights, and amalgamation. Marketing are often built to make a profit or help society. A company is considered a for-profit organisation when it prioritises revenue. An organisation which is a non-profit is not commonly called a business.

According to Bayard O Wheeler, “A business firm is an institution, company or enterprise which is engaged in buying or selling, being owned by one person or group of persons, who manage it within certain, laid down creative policies.”

4.2 Importance of an Organisation

Any trade is adjustable with the genuine Industry. It expedite a smoothly move in row with the breakneck of commerce situation. Here are some points that discuss the importance of an organisation.

The advantages of specialisation

- There are various tasks to complete in a company. It ensures that a human being who without fail work good in his speciality and accept good position. Over time, a worker who all the time works in a specific field gains qualitative goals. As a result, expertise helps in further endeavours.
- An organisation fosters accountability by establishing ties among the personnel within a company. Through this identification this comes to know who is answerable and it is achieved. In core it provides a flow of information and orders. Furthermore, this facilitates a chain of command and clarifies the range of authority and responsibility.

Resource Utilisation at Its Best

The organisation makes the best possible use of financial and human resources. It not only facilitate in the correct task of tasks to capable labour, but it also make sure that humans spent their time well and remove the duplicate efforts by giving their best shot one time.

Governance and effective administration

Another vital feature of the establishment is ensuring that responsibilities are distinct adequately within a concern to stop throw away and repetition. It also ask for to make employment dealings more transparent and make possible use of efficient management.

Growth of personnel

The company must take necessary look to make sure that positions are delegated to capable workers. This job allocation helps in the growth of organizers' originality. This happens because organisation uses transparent workload and finds new ways to lighten the workload of workers to complete the task on time.

In addition to, this allow them to examine possible instructions for business growth. From the workers point of view it allows them to know about their full potential and indulge them into new tasks effectively and it gives them potential and experience to grow.

Development and Expansion

The administration makes sure that the business takes on new-fangled difficulties. The company expands and diversifies as a result.

4.3 Characteristics of Organisation

Organisations have three defining characteristics:

- (1) They have multiple members, at least when they first begin.
- (2) They have lawfully their property distinct from the members' personal property.
- (3) They have an official running structure, which may or may not include association members.

4.4 Steps in the Process of Organisation

Identification and Work Division

The first step in organising work is determining the scope and volume of the work that is important to be done and cut down into several manageable tasks. This aims to reduce duplication of effort and distribute the workload.

Organising the Work

Same task and activities should provide a smooth workflow and should be in grouped for effective working in the organisation. The outcome is we create departments for the business and segregation of task is been given through departmental wise. This structure improves organisational commitment and efficiency.

The amount of work is required in the organization depends on size it is set with diversity of departments and structure. Each department is represented by manager in top department.

Many of the times this organisation works under one boss.

Create Hierarchy

Founding the interrelationship for each organisation's resources is the next step in organising. At the end the supervisor founded the administrations founded perpendicular relationships.

This makes the easy way to identify and judge the performance of each individual effectively and efficiently in a rapid way. So that the immediate action related to their performance can be taken

Delegation of authority

The ability to act as one pleases and demands others' allegiance is what is often meant by the term "authority." Therefore if a supervisor is been given the particular task and duties than he has the authority been given to complete that task on time.

He can only carry out the required tasks and activities if we give him the power to complete the duties. Therefore, it is imperative that we consistently transfer authority and define the limits of the everyday jobs and power that have been provided..

Coordination

At last the manager is responsible for all the tasks which is been assigned to each and every individual in a different manner so that the teams were assigned and employees been identified will be well coordinated. Otherwise it results in duplicity in work and creates disputes among individual and team members and have burden of extra and double work and their time and efforts will be wasted. The supervisor is responsible for making sure that each

department employees gets unique work and duties assigned in a coordinated manner so that the organisational goal and mission can be achieved and successful

4.5 Consideration

Any contract been made and considered only through promises and in exchange of it and reviewed to the subject of legal enforcement. All the party who made the contract must promise to do and made a promise not to commit and consider and it is enforceable under business law. A word of honour has no formalities of been considered in law.

Although it is a matter of money which is in consideration refers to do something relevant for a right action. Each Individual must receive something important from other party which is a two way process.

4.6 Essential Elements of Consideration

Consideration may be Past, Present, or Future :

- **Past Consideration:** In Indian law, if the promise or deed is fulfilled before the contract is signed, it is considered past consideration.
- **Present consideration:** It refers to the consideration that the other party must fulfil after one of the parties to the contract has fulfilled his portion of the promise.

Future Consideration:

A future consideration is when one revelry makes a guarantee in swap for another party's promise, and the performance of the consideration is to take place after the contract has been signed.

An agreement must be **supported by consideration**, but that support **does not necessarily mean the consideration is alike to the promise.**

At the time of bargain, the parties must choose the right consideration. It is the promisers responsibility to examine that the promise been fulfilled so both the law and court has the power to check the verification of consideration of the promise.

4.6.1 Indian Contract Act 1872

Any consideration is invalid in accordance with the Indian Contract Act of 1872 if it:

Prohibited by law

It involves harm to another individual's person or property.

It is viewed as immoral by courts.

It is designed in a way that, if allowed, it would violate all legal restrictions.

It is dishonest, includes or implies harm to another person, property, or both.

It goes against public policy.

The consideration sent by at least one party aims to halt legal action.

The factor takes public positions or titles into account.

The consideration entails forced labour or otherwise restricts the personal freedom of a participant to the agreement.

A marriage or a financial inducement to get married is included in the consideration.

4.7 Summary

- ❖ A business organisation is an entity created to conduct business.
- ❖ An organisation fosters accountability by establishing ties among the personnel within a company.
- ❖ The first step in organising work is determining the scope and volume of the work that so that the work should be divided among each and every individual.

- ❖ Organisations have different sections and departments including and depend upon the size and addition of work. The representation of each department is headed by manager. Many of times it is headed by only one boss
- ❖ The ability to act as one pleases and demands others' allegiance is what is often meant by the term "authority."
- ❖ Any contract is predicated on consideration as its central tenet.
- ❖ A future consideration is when one party makes a promise in exchange for another party's promise, and the performance of the consideration is to take place after the contract has been signed.

4.8 Keywords

Business organisation: An entity created to conduct business activities and operations.

Sole proprietorship: A business organisation where a single owner or proprietor owns and operates the business.

Accountability: The responsibility and obligation of individuals within a company to answer for their actions and decisions.

Scope: The extent or range of work that needs to be accomplished.

Department: A distinct division or functional organisational unit responsible for specific tasks or functions.

4.9 Self-Assessment Questions

- 1) What are the initial steps involved in setting up a business organisation?
- 2) How do businesses assess and manage risks associated with their operations, and what steps are taken to mitigate them?
- 3) How do businesses establish processes and systems to ensure efficient workflow and productivity?
- 4) How do businesses determine the roles and responsibilities of employees within the organisation?
- 5) What considerations should businesses make when developing their organisational structure and hierarchy?
- 6) What factors should businesses consider when selecting a location for their operations?
- 7) What is a Consideration? Explain in a brief, along with its characteristics.
- 8) What are the essential elements of a consideration?
- 9) What restrictions does the Indian Contract Act put on Considerations?
- 10) Explain the importance of an Organisation.

4.10 Case Study

Leading technology company X understood the value of a smooth employee onboarding procedure to guarantee that new workers were immediately integrated. They carried out a thorough process that included numerous crucial methods. First, they created a rigorous onboarding strategy with all the necessary steps, including completing paperwork, IT setup, and introducing team members. Second, they gave each new hire a specific onboarding

buddy who served as a mentor and offered advice over the first several weeks. The buddy system provided a welcoming atmosphere and facilitated the transition for newcomers. Thirdly, to foster a sense of belonging and purpose in new workers, the organisation held engaging orientation sessions to introduce them to the company's culture, values, and mission. Frequent check-ins and feedback sessions were planned to resolve issues and determine employee happiness. A planned onboarding procedure boosted organisational efficiency overall and reduced turnover, and employee disengagement, demonstrating its importance in fostering a happy work environment.

Questions:

- 1) How did Company X ensure a smooth integration for new hires through their employee onboarding process?
- 2) What strategies did Company X implement to foster a supportive environment and ease the transition for newcomers during the onboarding process?
- 3) What were the key benefits and outcomes observed by Company X due to their well-structured employee onboarding process?

4.11 References

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Unit: 5

Business Environment, Ethics & Finances

Learning Objectives:

- Understand the concept of the Business Environment
- Learn about Business Ethics
- Learn about Finances
- Understand its importance

Structure:

5.1 Business Environment

5.2 Business Ethics

5.3 Need for Finances

5.4 Summary

5.5 Keywords

5.6 Self-Assessment Questions

5.7 Case Study

5.8 References

5.1 Business Environment

The term "environment" refers to all the variables outside of and unaffected by the management of specific businesses. The "environment" that businesses and their management must work within is the environmental factor.

In general, environmental influences differ from one country to another. Other nations, such as the USA, the former USSR, the UK, and Japan, may have a different environment than India.

5.1.1 Nature

There are several features are as follows:-

- 1. Complex:** It is very complex in nature. It comprises various elements, occurrences, circumstances, and effects that originate from multiple sources and impact business, making it complicated.
- 2. Interdependence:** Social, economic, legal, cultural, technological, and political variables make up the business environment. Economic situations influence the development of technology.
- 3. Dynamic:** The numerous environmental variables are constantly changing, making business dynamic rather than static.
- 4. Effect:** The business environment has short- and long-term effects. Hence, the environment distinctly impacts various businesses within the same industry, such as pharmaceuticals.

5.1.2 Significance

There are several advantages of business environment are as follows:-

1. Public Image:

A commercial organisation can enhance its reputation by demonstrating that it is attentive to its surroundings and receptive to public objectives. Leading companies have developed a positive reputation by being perceptive and responsive to

environmental influences, such as Reliance Industries and ICICI Bank. Understanding the environment helps businesses adapt to their surroundings.

2. Continual education:

Environmental analysis gives company executives a comprehensive and ongoing education. They are always on guard since it keeps them updated on the shifting situation. Environmental learning enables managers to respond in a way that will boost the success of their organisations.

3. Providing Growth Direction:

Contact with the environment opens up new growth horizons for business enterprises. It enables the company to pinpoint potential places for expanding its operations.

4. Change Agent:

Business executives serve as change agents. They ignite a grassroots movement for change. Leaders must understand people's ambitions and environmental forces to determine the direction and type of change. Corporate executives are delegating power to empower their employees and end administrative delays.

5.1.3 Components of Business Environment

There mainly two types of components of Business environment i.e., Internal Environment and External are Environment.

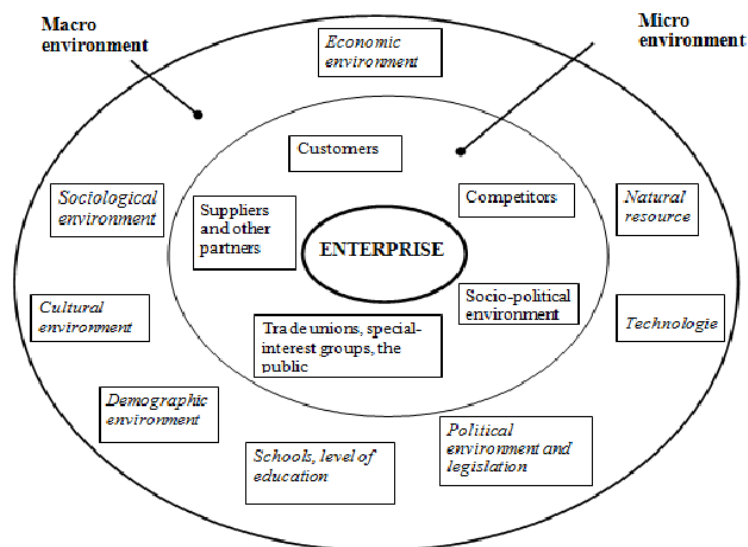


Figure 5.1: Components of Buss Environment

Source: Research Gate

5.1.3.1 Internal Environment

It includes the following-

Value System: The value system comprises all the elements of regulatory frameworks, including the organisation's culture, climate, work procedures, management practices, and conventions. The personnel should carry out the tasks within the scope of this framework.

The company's vision identifies helps in identifying its vision and mission as well as objectives and strategies to accomplish it.

Organisational Structure: It includes delegation of tasks, authority and responsibility, hierarchy, etc. There are several structures like bureaucratic, divisional, matrix, and functional, etc.

Human Resources: These are the valuable asset for the company that significantly impact on organisation's ability to fail or succeed.

5.1.3.2 External Environment

a. Micro Environment

The Micro environment is that affected by the micro factors. Several micro factors are as follows:-

- **Customers** are those who have relationship with the business as well as contribute to run business directly or indirectly.
- **Competitors** are those who offers same or similar products or services in the market at competitive rate.
- **Media** refers to the medium of communication channel.
- **Suppliers** are those who supplies products to the company to perform its daily operations.
- The **Intermediaries provide** the offering to the clients at the end.
- **Partners** are those who share their profits and losses, strategies, policies, customers, shareholders, etc.

b. Macro Environment

There are several elements of macro environment are as follows:-

- **Political factors** includes government policies, political stability, tax laws, trade laws, etc.
- **Economic factors** includes economic expansion, the dollar's value, interest, etc.
- **Social factors** are related with the society.
- **Technological factors** are technical awareness, automation, and research operations etc.
- **Legal factors** includes business laws, industrial laws, etc.
- **Environmental factors** is influenced by the environment such as Climate, weather, environmental regulations, etc.

5.2 Business Ethics

Ethics refers to well-founded moral standards that prescribe what humans should do, usually regarding rights, obligations, societal benefits, fairness, or specific virtues. Thus, ethics concerns the standards of conduct and moral judgements that distinguish right and wrong.

5.2.1 Features of Business Ethics

1. **Code of conduct:** It is a set of principles, guidelines, rules and regulations that must be followed by the business.
2. **Framework for business:** It provides the framework for the business for its daily operations by providing proper guidelines, principles for the business.
3. **Proper education and training:** Businessmen should take proper education and training to work ethically in an organisation.
4. **Helps in profit making:** Business ethics forbidden to profiteer by defrauding and exploiting customers, employees, or investors. It encourages company expansion, but only through legitimate means, not through unlawful or unscrupulous means.

5.2.2 Importance of Business Ethics

A company that upholds ethical values and cares for its employees will be rewarded with equally loyal and dedicated employees.

There are several benefits of business ethics in an organisation are as follows:-

1. Decision Making:

Business ethics helps in making better decisions for the organisation by following ethics in the business.

2. Better standard of living:

Business ethics helps in raising the living standard of people [stakeholders, society, etc.] by removing unfair means from their daily life operations.

3. Greater Customer Satisfaction:

Customer satisfaction is essential to any successful business strategy. Repeated purchases/orders and a long-term relationship based on mutual respect.

A company can only achieve this if it follows ethical practices.

4. Improved Confidence of Stakeholders:

It is required to increase consumer confidence in the quality, price, reliability, and other aspects of the goods and services provided.

5. Improve goodwill:

It is required to improve goodwill of business and avoid public criticism. The public supports ethical business, but all condemn unethical business. Only if the public is convinced that the Organization is following fair business practices will they be willing to invest or lend money.

6. Uniform Behaviour Across Organizations:

The main reason why business ethics are crucial is that we transmit them to others. By maintaining an ethical standard of conduct, we can demonstrate to others how to act and behave.

7. Attracting and retaining talent:

Businesses can attract top talent. Employees value the moral climate highly. Ethical Organisations foster a trustworthy environment in which employees are willing to rely on the company's policies and ability to make and act on decisions. Employees can expect to be treated with respect in such a work environment, as well as consideration for their colleagues and superiors. Thus, company policies foster teamwork, promote productivity, and encourage employee growth.

5.2.3 Ethical Programme

There are two different types of ethical programmes are as follows:

1. Compliance Orientation Programme:

A compliance orientation establishes order by requiring adherence to and commitment to the expected behaviour from employees. It instructs employees on the laws and the consequences for breaking them using legalese, legislation, and contracts.

2. Values Orientation:

Values Orientation works to establish shared values. Although there are consequences, the emphasis is mainly on a fundamental core of ideas like respect and accountability. The company's principles are viewed as something individuals willingly aspire to instead of relying on force.

5.3 Need for Finances

Money or funds accessible to a company are called "business finance." Financial management is responsible for estimating financial needs, ensuring proper financial control of finances and resources, their acquisition, and their use in a way that supports the enterprise's growth following clearly stated goals. Hence, "business finance" refers to various activities, including financial resource estimation, funding acquisition, and wise use of cash.

5.3.1 Importance/Need of Finances

A company's ability to operate depends on its ability to raise funds. The structure of the business is based on finance. It is a significant source of revenue. There was a greater need for business in the short and long term.

The following benefits show how crucial and necessary financing is for a business:

- Finance is necessary to cover promotion costs, such as those paid to accountants, lawyers, and management consultants for compiling various paperwork, registration, etc.
- For the existing asset arrangement.
- To purchase long-term assets, including buildings, land, machinery, and plants.

- To meet the need for working capital, finance is crucial.
- To cover the expense of getting business financing.
- For the growth and development of the company.
- To successfully navigate the uncertain future.
- Purchase of goodwill and patents.
- To offer liquidity.
- To close the gap in time between production and sales.
- To advance commerce and industry.
- To keep up with the speed of technological advancements and growing competition.

5.3.2 Factors Affecting the Need for Finances

There are a variety of factors that affect an enterprise's financial needs, including:

- Size of the enterprise
- Nature of business
- Possibility for future expansion
- Professional management
- Environment for investment: The nation where individuals make more investments.
- Government policy: Less capital is required where the government supports a liberal investment policy towards investments in new development areas. Conversely, the firm needs more cash if it adheres to rigorous and inflexible standards and enforces legal restrictions rather than encouraging entrepreneurs.
- Financial accessibility: Less capital is required in a nation with ample financial resources.

5.4 Summary

The term "environment" refers to all the variables outside of and unaffected by the management of specific businesses.

Executives serve as change agents. They ignite a grassroots movement for change.

Business ethics required increase consumer confidence in the quality, price, reliability, and other aspects of the goods and services provided.

"Business finance" refers to various activities, including financial resource estimation, funding acquisition, and wise use of cash.

Finance is necessary to cover promotion costs, such as those paid to accountants, lawyers, and management consultants for compiling various paperwork, registration, etc.

5.5 Keywords

1. **Environment:** All factors that are independent of and unrelated to particular businesses.
2. **Business environment:** The framework in which a company functions, including societal norms, legal requirements, etc.
3. **Business finance:** It includes actions linked to estimating financial resources, obtaining funds, and responsible cash management.
4. **Environmental Monitoring:** It is essential for gathering crucial information about the business environment.
5. **Business ethics:** A subset of ethics focuses on moral and ethical problems at work and encourages consumer trust in goods and services.

5.6 Self-Assessment Questions

How does the business environment affect the day-to-day operations of a small business?

What common ethical dilemmas do businesses face in their interactions with customers?

Why is financial planning necessary for the long-term success of a business?

How can businesses promote an ethical culture within their organisation?

Why is it necessary for businesses to have a clear understanding of their financial needs and available resources?

What key factors shape the business environment in today's globalised world?

How does the business environment impact a company's decision-making process and strategy formulation?

What role do ethics play in establishing a positive business environment?

Enumerate the factors that are responsible for the decision regarding Finances.

Explain the Ethical Programme.

5.7 Case Study

The economic situation in China, one of Apple's core markets, has presented difficulties in recent years. Economic fluctuations in China impacted Apple's sales and profitability, including a halt in economic development and currency devaluation. Sales of the iPhone fell

in China, a significant source of revenue for Apple, due to the weaker consumer spending power and economic uncertainties. Apple's supply chain was also impacted by changes in governmental laws and trade disputes between the United States and China, leading to higher production costs. These external variables compelled Apple to modify its tactics to counteract the consequences of the unstable external business climate. For example, it introduced more affordable iPhone models and diversified its revenue sources through services and other products.

Questions:

- 1) Based on your understanding, explain the factors affecting the external environment in the case of Apple.
- 2) How did Apple adapt its strategies to mitigate the effects of the volatile external business environment, particularly in China?
- 3) If this is the external environment, what is the internal environment in a business organisation

5.8 References

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- Mathew, Sharma, Mehta: Business Organization (Sheel Write Well (P) Ltd. Jaipur
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Unit: 6

Finance

Learning Objectives:

- Learn about sources of Finance
- Learn about Rajasthan Finance Corporation
- Understand its characteristics
- Know its importance

Structure:

6.1 Sources of Finance

6.2 Rajasthan Finance Corporation

6.3 Summary

6.4 Keywords

6.5 Self-Assessment Questions

6.6 Case Study

6.7 References

6.1 Sources of Finance

The funds which are mandatory to start a new business which can be run and suddenly wider the business is known as business finance. Funds is mainly required to buy many types of assets which are tangible and non tangible assets .Tangible assets are those which can be touched like furniture, machinery, office, building etc and intangible assets are those which cannot be see or touched like technology etc.

An enterprise's financial needs fall into one of the next duo group:

- Short-Standing Financial Needs
- Long-Standing Financial Needs

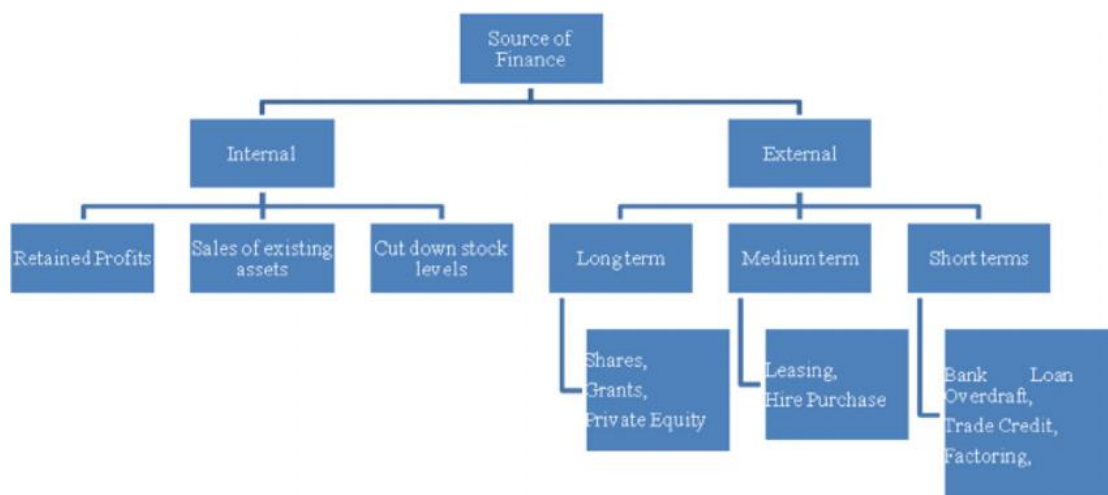


Figure 6.1: Sources of Finance
Source: Research Gate

Short-term financial requirements: Working capital or day-to-day needs must be met through short-term financing.

The following are the sources of short-term financial needs:

- Trade Credit
- B/R
- Factoring
- Bank Loan

Long-lasting monetary needs: Long-term assets are the permanent assets of venture They are exceeded for one more era of day. It is of two forms

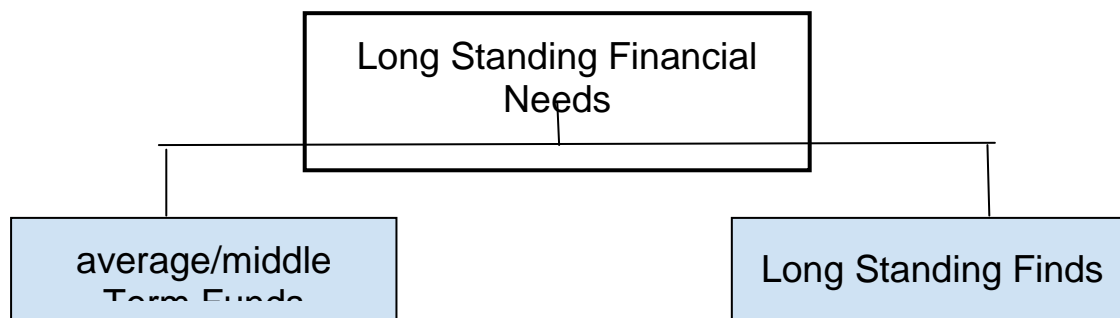


Figure 6.2: Long-Standing Financial Needs

6.1.1 Sources of Long-Term Finance

- Debentures
- Business Deposits
- Extended Loans from Capital organizations
- Loans from for profit store
- Undertaking Assets Capital
- Rent Capital

1. Owners Capital

In this case, equity shares are referred to as owner's capital. There are two ways for a firm to obtain funding from shareholders:

- (i) By a moral dilemma.
- (ii) Through a public offering or IPO.

Benefits:

- 1) Offers steady streams of funding.
- 2) Since equity shareholders are the owners, giving them a payment (i.e., dividend) is not required.
- 3) Because new equity shares can always be issued, the corporation has flexibility when deciding how to raise more funding.
- 4) Widening by bringing up a just point.

Demerits:

- 1) Grants new shareholders the ability to vote.
- 2) The division of profits among a larger population.
- 3) It is often expensive to underwrite and distribute new issuance of ordinary shares.
- 4) Dividends are not tax relation in interest payments which has less earnings..

2. Preference Shares

- Shares with a preference are entitled to a set dividend rate.
- They are given preference over equity owners regarding dividend payments and capital repayment.

Different Preference Share Types:

Increasing partiality portion

Un-increasing favourite portion

Exchangeable predilection part

Non- exchangeable partiality part

Involving inclination portion

Non-involving partiality portion

Leading first choice part

Benefits:

- 1) Stretchy techniques.
- 2) Zero error
- 3) Make use of advantages.
- 4) The issuance of preference shares has no meaningful impact on the management control that is now in place.
- 5) Redeemed over a predetermined time.
- 6) Helpful for lender, who can expect a better rate of revisit at a lesser danger.

3. Debentures

A debenture is an instrument used to recognise a company's debt. Debenture holders are, therefore, creditors who receive interest for the money they deposit with the company concerning return and defeat.

Types of Debentures:

- **Marked/Bearer Debentures:** Marked debentures are those for which the holder's name, address, and other information are recorded in the name of debenture suppliers. It is transferred from excessive delivery, and the corporation not to keep a record of the debenture holder's person's name and information.
- **Mortgaged/Naked Debentures:** these debentures have charge limitedly on the company's assets and are also known as secured debentures. Debenture holders may sell mortgaged assets to recuperate their investment if the company defaults on making

interest and principal payments. The holders of naked debt obligations lack security interest in the company's assets.

- **Convertible Debentures:** These allow the holder to convert their bonds in full or part into any sort of security.
- **Redeemable/Irredeemable Debentures:** Offsetting debentures are those whose primary quantity may be reversed by the business following the terms of the issue after a specific time. Irredeemable debentures are ones for which the main payment is not redeemable at any time during the business's existence.

Debentures provide the following advantages:

1. Interest payable on debentures may be retained; it is typically less expensive than stock and preference shares. So, issuing debentures is less costly.
2. Interest paid on debentures is a tax deduction that may be considered when calculating taxable income.
3. Debentures may be redeemed if a company has extra cash.
4. Debenture holders are not permitted to influence the company's management.
5. Debenture issuance is preferable when a company's earning potential is low.

Disadvantages:

A fixed promise to pay interest at a specific rate constitutes a deficiency.

Beyond a certain point, it might not be possible to issue debentures.

4. Ploughing Back of Profits

Each company establishes a reserve fund by moving a portion of its yearly income. The accumulation of retained profits represents an acceptable source of funding for the expansion and improvement of the business.

Benefits:

- 1) Modernisation and expansion are made simpler.
- 2) An increase in the share's book value or market value.
- 3) It is simple to pay a dividend.
- 4) Money can be used for business growth or development.

- 5) Offers security even at a time of recession.
- 6) Improves an organisation's ability to obtain credit.
- 7) There is no requirement to get outside capital subscriptions.

Demerits:

- 1) Receive incentives for stock market speculation.
- 2) Excessive capitalisation is a possibility.
- 3) The makers of the organisation improperly use the reserve put aside finance.
- 4) It will lessen a shareholder's ability to pay taxes.
- 5) These businesses are successful in gaining a market monopoly.

5. Loan from monetary Organizations

Various particular monetary organizations contain and been established to address industrial firms' unique financial requirements.

The following are the institutions:

- LIC
- Industrial Development Banks of India (IDBI)
- Unit Trust of India o Industrial Finance Corporation
- Industrial Credit and Investment Corporation of India (ICICI)
- General Insurance Companies
- State Financial Corporation
- Industrial Reconstruction Bank of India
- Export-Import Bank of India (EXIM Bank)
- Small Industries Development Bank of India

6. Rent Fund

A corporation may contact the leasing company when it needs fixed assets. A rent is a lawful concord wherein the landlord of an asset, known as the lesser, enables a third person, the lessee, to use the benefit for a prearranged quantity of occasion in replace for a predetermined payment. The lease also determines the duration of the agreement.

Benefits:

- 1) A straightforward financial issue.

- 2) The advantage of "pay as you can."
- 3) The company's money may be used to fund specific initiatives.
- 4) Fixed asset costs of up to 100% can be hired.
- 5) Obtaining financing requires only a minimal amount of legal documentation.

Demerits:

- 1) The lessee company must incur significant losses if the technology becomes outdated before the lease agreement expires.
- 2) The company's money is still unused if the assets are acquired through leasing.
- 3) The leasing business must rely on the leasing company to maintain assets acquired through leasing.

7. Enterprise Assets Financing

Venture capital financing is asset in new-fangled and established businesses without a track record of consistent growth. In a larger sense, course of action capital refers to the pledge of cash in the form of stock to create and establish small businesses focusing on novel concepts and emerging technology.

Features:

The following are some characteristics of venture capital financing:

- (a) Equity involvement is the typical type of venture capital. Long-term loans or convertible debt are other possible forms.
- (b) Only high-risk, high-growth potential projects are chosen for investment.
- (c) Only the commercialisation of novel ideas is permitted with venture money.
- (d) A venture capitalist co-promotes an idea with the entrepreneur and halves the risks and rewards of the business.
- (e) The investor continues to be involved in the business after investing.
- (f) A venture capitalist may sell his stakes to the company's promoters or other buyers.

6.1.2 Sources of Short-Term Finances

The daily requirements of running a business are met by short-term financing. There are many places to get short-term funding. Important ones include the following:

- **Public Deposits**

Public deposits are those that businesses ask the public to make by using advertisements to encourage them to deposit their money with them for a length of time that can range small to large level 6 months to 3 years (the 12% interest rate obtainable is typically older than what banks provide).

- **Trade Credit**

It is due to suppliers of goods, services, and raw materials after a predetermined time, usually shorter than a year. (It is 2% of clientele for all commerce enterprises that provide praise facilities to their regulars in deal or industry.

- **Commercial Banks**

Industrial finance is crucial temporary credit dealers that fund present property or revolving assets. Business-related banks offer their clients the following services:

- Advances from banks.
- Overdraft resources.
- Discounting bills, etc.

Although the interest rate on invest credit is somewhat far above the ground, the load is reasonable since it is only utilised temporarily.

- **Depreciation Fund**

Reduction funds are made from a share of income to put back outdated plants, equipment, and tackle.

- **Native Financer and Cash Lenders**

These are significant funding reference for little traders, cottage businesses, and rural artists. These banks and lenders are meeting society's and businesses' financial needs.

The following are some other short-term financing options:

- Finance Institutions
- Advances from Clients
- Fund for Tax Redemption

6.2 Rajasthan Finance Corporation

On April 8, 1955, Rajasthan Financial Corporation (RFC) was established as a State Financial Corporation. It has a registered office in Jaipur. It has a 100 billion rupee authorised capital, divided into 10 billion shares of one rupee each. The corporation's subscribed and paid-up capital was Rs. 67.53 crore.

6.2.1 Goals of RFC

The primary goals of RFC are as follows:

- Foster a setting for balanced industrial growth.
- It aids in developing the fundamental framework for industrial development.
- The assistance should be extended to small- and medium-sized industrial units.
- Encourage the establishment of high-tech industries.
- Kickstart rapid industrialisation and economic progress in the state.
- Support and motivate aspiring businesspeople.
- Provides less restrictive terms for financial support to economically disadvantaged groups in society.

Role of RFC as a State Government and SIDBI Agent:

The corporation actively implements condition administration and little organization growth Bank of India (SIDBI) plans.

The following are some of the schemes:

- Interest incentive programme
- Capital investment subsidy programme. Technology Upgradation Fund Scheme (TUFS) interest subsidies.

6.2.2 Management

As of 31.3.2003, a board made up of the following members is in charge of running the RFC:

- (i) The state government appoints the president and Decision maker.
- (ii) The position government will propose two chair persons.

- (iii) The Board co-opted two directors.
- (iv) The SIDBI has nominated two directors.
- (v) The State Bank of Bikaner and Jaipur (SBBJ) has nominated one director. A functioning executive committee also supports the board of directors. Regional offices oversee and direct all of the corporation's divisions.

6.2.3 Functions of RFC

In 2002–2003, RFC launched the following additional programmes:

- (i) Fast track loan programme.
- (ii) A plan or financial aid for commercial construction projects undertaken by industrial firms.
- (iii) The Platinum Card Loan Programme.
- (iv) A particular purpose term loan programme for operating capital.
- (v) The roll-over-cum-principal replenishment plan for the years 2002–2003.

6.2.4 Criticism

- Underwriting securities, purchasing securities, providing guarantees, etc., receive the least attention.
- The lengthy list of documentation that must be presented with the loan application forms delays the lending process.
- The corporation's inability to attract public deposits resulted from the low-interest rate it gave investors.
- The RFC's organisational structure needs more individuals with professional competence.
- The operation of the RFC is not flexible enough.
- The RFC's paid-up capital is insufficient to cover its financial obligations.
- Complex and high-tech businesses receive less attention. Only traditional industries are eligible for lending facilities

6.3 Summary

Working capital or day-to-day needs must be met through short-term financing.

Long standing finances are exceeds to desire the fixed capital needs of an organisation

They are exceeding up to the period of one year

A debenture is an instrument used to recognise a company's debt.

These debentures are transferred by mere delivery and it does not keep the record of the shareholders identity and information.

A rent is a lawful agreement wherein the proprietor of an benefit, known as the lesser, enables a third person, the lessee, he can use this property for some time than he can return back with the limited amount.

Depreciation funds are made from a share of profits to replace outdated plants, machinery, and equipment.

On April 8, 1955, Rajasthan Financial Corporation (RFC) was established as a State Financial Corporation.

6.4 Keywords

Venture Capital: Investments in high-risk, early-stage companies with the potential for rapid growth, frequently incorporating novel concepts and cutting-edge technology, are referred to as venture capital.

Debenture: A debt instrument that symbolises a firm's debt and outlines the terms of repayment issued by a company to raise money from the general public.

Short-term financing: This word refers to financial arrangements or loans obtained to meet a company's short-term working capital requirements.

Long-term financing: This refers to money raised for a protracted period of time, usually more than a year, to cover a company's fixed capital needs, including buying assets or growing operations.

Working Capital: These are the resources or funds needed to pay for a company's ongoing operating costs and immediate liabilities.

6.5 Self-Assessment Questions

- 1) How do traditional financial institutions, such as banks, typically assess the creditworthiness of a business when considering a loan application?
- 2) What role do venture capital firms play in financing early-stage and high-growth companies, and what factors do they consider when selecting potential investment opportunities?
- 3) How does the initial public offering (IPO) provide a source of finance for companies, and what are the advantages and disadvantages associated with going public?

- 4) What are the main characteristics of crowdfunding as a source of business finance, and what are the different types of crowdfunding models companies can utilise?
- 5) How does trade credit work as a short-term source of financing, and what considerations should businesses keep in mind when using trade credit arrangements?
- 6) What are the critical features of lease financing, and how does it differ from traditional debt financing? What types of assets are commonly financed through leasing arrangements?
- 7) How do government funding and grants contribute to business finance, and what are the eligibility criteria and application processes for accessing these funds?
- 8) Write a short note on Rajasthan Finance Corporation.
- 9) Write an essay criticising the workings of RFC.
- 10) Mention the objectives and functions of RFC.

6.6 Case Study

A technology start-up named Company X struggled to raise money to support its ambitious development and growth objectives. The management team looked at several financial sources to meet their capital needs. They started by contacting conventional financial institutions, and thanks to their solid business plan and optimistic economic projections, they were able to obtain a bank loan successfully. They also solicited venture capital funding, meeting with several investment companies to present their cutting-edge innovation and show its commercial potential. Using this strategy, Company X was able to raise a sizable amount of money while utilising the knowledge and contacts of their venture capital partners. Utilising their substantial client base and strong community support, they also started a crowdfunding effort to diversify their funding sources.

Questions:

1. How did Company X raise funds for their growth and expansion plans?
2. What are the other sources for raising funds in India?
3. Are institutions like Rajasthan Finance Corporation helpful in such cases?

6.7 References

- C.B. Gupta: Business Organisation (National Publishing House, New Delhi)
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S.C. Saxena: Business Administration (Sahitya Bhawan, Agra)

Unit: 7

Stock Exchange & SEBI

Learning Objectives:

- Study about SEBI
- Know about its origin
- Trace its development
- Learn about its activities

Structure:

- 7.1 Stock Exchange in India
- 7.2 “Significance of Stock Exchange”
- 7.3 Functions of “Stock Exchange”
- 7.4 Origin and Development- SEBI
- 7.5 Functions of SEBI
- 7.6 Committees in SEBI
- 7.7 Role of SEBI
- 7.8 outline
- 7.9 “Keywords”
- 7.10 Self Assessment Questions
- 7.11 Case Study
- 7.12 References

7.1 Stock Exchange in India

The supply trade is a crucial component of the assets bazaar that allows marketers to deal in safe keeping and provides capital. It is a extremely prearranged marketplace where safe keeping are bought and sell for a profit from side to side the participation of its team who work as broker purchaser.

Consequently, it is possible to characterise a stock exchange as a group of people formed or incorporated to act as a marketplace for the buying and selling of securities.

7.1.1 Characteristics of Supply Trade

- (i) The supply trade is An essential component of the capital market.
- (ii) A significant source of capital formation is the “stock exchange”.
- (iii) Offers investors liquidity on securities.
- (iv) Offers investors liquidity on securities.
- (v) It serves as a go-between for the buyer and seller.
- (vi) Transactions may be made under the established rules and bylaws.
- (vii) Securities transactions can only be made through brokers, who are registered stock exchange members.
- (viii) A stock exchange can accommodate cash and forward (future) transactions.
- (ix) Only stocks listed on stock exchanges may be handled according to the item.
- (x) Supply Trade is a registered organisation
- (xi) It serves as a indicator to show the universal state of a nation's economy.

7.2 Significance of Stock Exchange

The significance of the Stock Exchange can be grouped into the following categories.

- (1) Importance to investors.
- (2) Relevance to organisations that issue securities.
- (3) Importance for the country and the community.

1. Importance for Investors

- Offer a market.
- It offers liquidity.
- Offers details about the state of the demand

- Investment decisions become simpler
- Purchasing and selling
- Both buyers and sellers can do business with each other with complete confidence.
- Lowers the investors' risk.
- Investor security is provided through the listing of securities.
- This market accounts for potential transactions.
- Purchase of international securities.
- Investors also receive guidance from it.
- The investor can do securities trading while residing anywhere in the nation.

2. Relevance to organisations that issue securities

- It provides liquidity and convenience.
- Price stability.
- Publication of stock exchange activity and quotes.
- The stock market opens up.
- Enhances the company's reputation.
- It makes it easier to attract foreign investment.
- Able to subscribe for its debt whenever necessary and share

4. Importance for the country and the community

- It encourages people to invest and save, which boosts the nation's capital formation.
- The government has access to funding for economic growth.
- It acts as a resource for the growth of a solid industrial organisation.
- It enhances global capital or dynamism.
- It serves as the nation's economic gauge.
- It aids in the fair growth of the nation by distributing safeguard more widely across the state.

7.2.1 Objectives of Stock Exchange

The following are the primary goals of a stock exchange:

- To offer a specified location, a usual marketplace, and other amenities to the Stock Exchange verified workers.
- To supervise and regulate securities dealings.
- prepare the constancy of safekeeping prices.
- To foster a culture of good moral character and accountability among the members who trade in securities.
- To expand the nation's economy by boosting the amount of securities transactions.

7.3 Functions of Stock Exchange

Functions of the Directorate of Stock Exchange

- To check the Securities Contract (Regu.) All stock exchanges are following the act of 1956's rules.
- To monitor the daily operations of the stock markets.
- To work to put an end to the unfavourable speculating.
- To guide the government regarding stock market administration.
- Ensuring that the regulations governing the listing of securities are faithfully followed.
- Giving members special authority to transact above the allowed limit.
- Ensuring that the Central Government's regulations on the stock exchange are rigorously adhered to.

Other General Functions

- To offer a ready and consistent market.
- Support for constructive rivalry.
- Correct security printing.
- Promote increased savings.
- Securities listing.
- Increased distribution of securities.
- Funding for businesses that provide goods and services.

- Promotes the creation of new capital.
- Enabling healthy competition by providing liquidity.
- Preserves price stability.
- The release of a market report
- A measure of the economy.
- Makes the transactions secure and viable.
- Serves as a middleman.
- Investor education.

7.4 Introduction and Origin- SEBI

The “Securities and Exchange Board of India (SEBI)”, “took by Indian government ministry of finance” outside the state safekeeping and many markets. It was “established on 12 April 1988 as” “an decision making and on 30 January 1992,the SEBI Act 1992 give permission legally the power to come”.

“The Securities and Exchange Board of India (SEBI) was first composed as a decision making and rules regulations body in 1988 to control the securities market”. “The SEBI Act 1992, passed by the Indian Parliament, gave it statutory authority and made it an autonomous organisation as of January 30, 1992”. SEBI is headquartered in Mumbai's Bandra Kurla Complex, and it also has regional offices” in “New Delhi, Kolkata, Chennai, and Ahmedabad for its northern, eastern, southern, and western regions. In the 2013–2014 fiscal year, it established local offices in Jaipur, Bangalore, Guwahati, Bhubaneswar, Patna, Kochi, and Chandigarh”.

7.4.1 Structure

- The Indian Union Government proposes the chairperson.
- “Two officers from the Union Finance Ministry, i.e., members”.
- “A single Reserve Bank of India representative”.
- “The Union Government of India offers the other five members; at least three will be all time work alcoholic”.
- Except for midis, “chit funds, and cooperatives, collective investment plans were brought under SEBI with the amendment of 1999”.

7.4.2 Objectives of SEBI

Some of the SEBI's goals are listed below:

1. Investor protection: The main focus is of establishing SEBI is to defend marketers. Giving advice and make them sure that the savings are safe and defend the investors sayings..
2. Put out illegal business malpractices and other bad behaviour and enforcing stock exchange activity regulations
3. To make a line of control for financial markets like the brokers and writers.
4. To keep statutory regulations and self-regulation in proper proportion.

7.5 Functions of SEBI

1. **Protection:** The “SEBI's protection of investor interests and those of other financial actors is implied by the term "protective function." The following tasks are part of the protective function”.

Outlaws insider trading: Insider trading refers to a firm's directors, workers, and promoters buying or selling securities in the company. Organisations have not given permission to look after and to buy the share from secondary market because SEBI has restricted such trading practices.

Verify price rigging: Price rigging is changing the market price of trade cause loss and unnatural temperament in the market of the price of safekeeping, and the output occurs that investors suffered big losses. To restrict such practices SEBI hold an eye to stop all such illegal activities.

Promoting ethical conduct: SEBI encourages moral behaviour in commerce and aims to forbid fake actions connecting safe keeping trading.

2. **Regulatory Function:** The formula of power and authority in trade as well as monetary finance aids as the function in the smooth administration of the market.
- “SEBI has established laws and regulations and developed guidelines and a code of conduct that corporations and financial intermediaries must abide by”.
 - Domineering the gaining of a commerce.
 - Identifying and Examining “stock markets”.
 - Stop how trade people and merchant holders do their functioning.

Other powers and functions of SEBI

- To safeguard investors' interests.
- To control activity in securities markets, such as stock exchanges.
- To oversee and monitor the activities of intermediaries such as bankers, portfolio managers, share transfer agents, and stock brokers.
- To list and oversee the operations of savers, securities account holders, international company owners, and top rating firms.
- To support and control organisations that practise self-regulation.
- To outlaw dishonest and unfair business practices concerning the securities markets.
- To outlaw the trading of securities while insiders.
- To provide investors with education and training on the stock market.
- To control significant share purchases and corporate takeovers.
- Regulating the operation of mutual funds, collective investment plans, and venture capital funds.
- To oversee and encourage the development of self operating entities in the safekeeping industry.
- Imposing fees or other rates to conduct stock market operations.
- Conducting research for any of the goals mentioned above and carrying out any additional tasks that may be required.
- To manage and control the large-scale acquisition of firm securities.
- According to the SEBI Act, intermediaries must be registered and given registration certificates.

Power to issue Directions

To represent any intermediaries' or other people's affairs for the benefit of investors or the security market.

To ensure that any such intermediary or person is adequately managed, it may give the following instructions:

7.6 Committees in SEBI

“Technical Advisory Committee”

“Committee for Review of the Structure of infrastructure institutions”

“Advisory Committee for the SEBI Investor Protection and Education Fund”

“Takeover Regulations Advisory Committee”

“Primary Market Advisory Committee (PMAC)”

“Secondary Market Advisory Committee (SMAC)”

“Mutual Fund Advisory Committee”

“Corporate Bonds & Securitisation Advisory Committee”

7.7 Role of SEBI

SEBI plays an essential role in both primary and secondary markets, as discussed in detail below.

1. In Primary Market:

Assuring the interests of “investors in the primary market” (new issue market) has been a critical responsibility of the SEBI. The following efforts have been made by it in this regard:

- Reversing the creative
- Identifying the risk features
- Newly registered bankers
- Introducing new trade plan
- Problem solving result of investors issue and problems
- growth of removable shortened brochure with split request
- Enrolment of other necessary organizations
- Labour to put efforts to complete other highlighted process
- Certification of investors organization
- learning stockholders

2. In the Secondary Market:

The SEBI also significantly impacts how the nation's secondary markets and stock exchanges develop and evolve. The critical efforts are mentioned below:

Involvement towards the exposure of stock markets

Enquiry of stock markets

Continuous and monitoring of investors funds

Enrolment of bio data supervisors

Proper preparedness in the working process

Continuous working in internal trading

Enrolment of overseas asset organisations

Arranged proper guidelines process

Investigation and announcement

7.8 Summary

- ❖ The stock exchange is a “crucial component of the capital market that allows investors to trade in securities” and provides capital.
- ❖ The significance of the Stock Exchange can be grouped into - Importance to investors, Relevance to organisations that issue securities, and Importance for the country and the community.
- ❖ “The Securities and Exchange Board of India (SEBI) was first established as a non pricing body in 1988 to control the securities market”.
- ❖ “Before the creation of SEBI, the regulating body was the Controller of Capital Issues, which received its jurisdiction from the 1947 Capital Issues (Control) Act.”
- ❖ “One of the main goals of establishing SEBI is to protect investors”.
- ❖ Assuring the interests of investors in the primary market (new issue market) has been a critical responsibility of the SEBI

7.9 Keywords

1. **Stock Exchange:** An exchange where stocks and bonds can be purchased and sold is referred to as a stock market. In addition to facilitating the movement of funds in the market, it enables investors to trade in securities.

2. **Capital Market:** In monetary market long standing finance act as a safe pricing strategy and, are purchased and sold is known as the capital market. It offers a way for businesses to raise finance and for investors to invest their money in hopes of earning a profit.
3. **SEBI:** The Indian regulatory agency observing, controlling, and defending investors' rights is “called the Securities and Exchange Board of India (SEBI)”. It was shaped in 1988 to take the Controller of Capital Issues position and is empowered to enact rules that uphold honest and open market practices.
4. **Investor Protection:** Protecting the rights and interests of investors in the financial market is known as investor protection. By guaranteeing fair practices, combating fraud, encouraging transparency, and establishing a legal environment that fosters investor confidence, SEBI seeks to protect investors.
5. **Price rigging:** The dishonest manipulation of market prices for securities to cause fictitious price variations. For investors, this manipulative technique may lead to unforeseen losses. To protect the market's integrity and fairness, SEBI plays a role in identifying and preventing price fixing.

7.10 Self-Assessment Questions

1. How has SEBI contributed to the development for Indian capital marketplace over the years?
2. What are SEBI's essential functions and powers in ensuring fair and transparent securities trading?
3. How does “SEBI protect the interests of investors” and promote investor education and awareness?
4. How does SEBI regulate and supervise the functioning of “stock exchanges and other market intermediaries”?
5. Explain the role of SEBI in both primary and secondary markets.
6. What is the role and significance of stock exchanges in the Indian financial system?
7. How many stock exchanges are currently operational in India, and what are their key features and functions?
8. What regulatory framework governs the operations of stock exchanges in India, and what did you say about the position play by SEBI in overseeing them?
9. How have technology and digitisation impacted stock exchanges in India, and what initiatives have been taken to enhance market efficiency and accessibility?

10. Enumerate the objectives of Stock Exchanges in India.

7.11 Case Study

One of the largest corporate frauds in Indian history, the Satyam Computers case, involved the “Securities and Exchange Board of India (SEBI)”, substantially impacting the outcome. Investor trust was severely shaken when it was discovered in 2009 that Satyam's chairman had overstated profits and manipulated the company's books. SEBI quickly took action, opening an inquiry, enforcing severe fines, and opening legal procedures against those responsible. SEBI adopted more burdensome regulations to improve corporate governance and financial transparency in the Indian securities market through its strict enforcement operations, ensuring that the offenders were held accountable, regaining investor trust, and implementing the culprits' punishments. This instance demonstrates SEBI's dedication to protecting investor interests and preserving the credibility of the Indian capital markets.

Questions:

1. How did SEBI's intervention in the Satyam Computers case restore investor confidence in the Indian securities market?
2. What specific actions did SEBI take to investigate and penalise those responsible for the corporate fraud at Satyam Computers?
3. In what ways did the Satyam Computers case catalyse for SEBI to implement stronger regulations and enhance corporate governance practices in the Indian capital markets?

7.12 References

1. L. Balaji, S. Reddy Sowmya. ROLE OF DISTRICT INDUSTRIAL CENTRES IN ENTREPRENEURSHIP DEVELOPMENT, 2017.
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Unit: 8

NSE and BSE

Learning Objectives:

- Understand about National Stock Exchange
- Learn about Business Combinations
- Know its forms and kinds
- Critically analyse it

Structure:

8.1 National Stock Exchange

8.2 Business Combination

8.3 Forms of Business Combination

8.4 Types of Business Combinations

8.5 Summary

8.6 Keywords

8.7 Self-Assessment Questions

8.8 Case Study

8.9 References

NSE & Business Combinations

8.1 National Stock Exchange

Based on the Ferwani Committee's recommendations for creating a national stock market, the National Stock Exchange (NSE) was established on November 27, 1992, following the requirements of the Companies Act 1956.

The exchange is entirely computerised and connected via a satellite communication network. Its registered office is situated in Mumbai.

The Government of India has authorised this exchange following the Security Contract (Regulation) Act. It was first authorised for five years, beginning in April 1993.



Figure 8.1: National Stock Exchange Logo

Source: NSE India

8.1.1 Objectives

The following are the key goals in creating the NSE:

1. To create a countywide market where securities can be traded.
2. To make the security market more transparent and efficient.
3. To provide all investors with top-notch service.
4. To put the stock exchange within easy reach of all investors.
5. To enable quick transaction clearing.
6. Raising the Indian stock market to international standards.
7. To serve as an ideal example for other stock exchanges.

8.1.2 Benefits

The National Stock Exchange offers a leading marketplace for businesses ready to list on a significant exchange.

Deal matching and settlement are more transparent due to the total quantity of trading action and the usage of robotic technology. This may contribute to greater investor confidence and market awareness.

Modern skill also permits orders to be packed extra rapidly, increasing waterly and wealth.

8.2 Business Combinations

When two or more business-related or manufacturing organisation are sprint or forced by a solitary possession attention, a mixture is said to exist.

Combinations can take many different shapes, from an unspoken understanding among business partners to a tightly integrated merger or fusion of companies encompassing an entire productive activity sector.

M. L. Kothari defines combination as “any formal or informal combining of two or more industrial units, proprietary or corporate entity, producing a similar or different article or engaged in the successive process of manufacture of an article with a view to earning maximum profits on capital employed.”

8.2.1 Objectives and Benefits of Business Combination

- To keep away from infertile and poisonous rivalry.
- Desire for power, continued existence, or development
- to improve the member units' credibility from an economic and business standpoint.
- To control pricing or output, investors gain from this.
- The distribution functions are reduced.
- To benefit from the benefits of expert management and services
- It makes the joining units resilient to depression's challenges.
- It allows for fully expressing the aspirations and qualities of aspirant qualifier.
- It allows for the filled cooperative exploitation of technological knowledge and patents.
- It permits the units to band together and monopolise all production, management, and marketing involving economics.

8.2.2 Disadvantages

- Misuse of the power of the group
- Incompetence
- Increased risk
- Support for excessive Capitalisation
- A roadblock to economic advancement
- Unjust methods used to eliminate small business owners

- The accumulation of political and economic power
- Producer exploitation
- Deceptive strategies
- Makes the financial system unstable
- Consumer exploitation is item

8.3 Forms of Business Combinations

The various sorts of integrations lead to business combinations. They come in various shapes depending on the different kinds of global situations. The forms of business combinations are mentioned below.

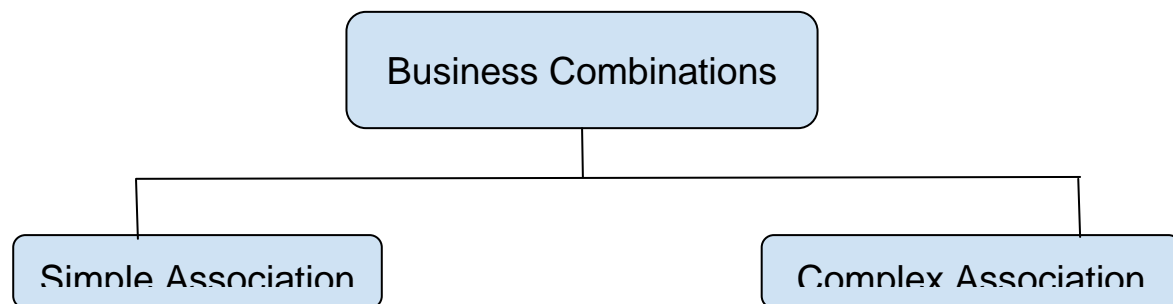


Figure 8.2: Forms of Business Combinations

Easy Association comprises operate Associations, the assembly room of Commerce, Trade Unions, and Gentlemen’s Agreements. Complex Association consists of Federations that include (a) Pools (b) Cartels, and Consolidations that include Partial and complete consolidation.

1. Trade Associations: In the trade Organisation Company participate in a commerce judiciously meet and discuss the problems related to economic and commercial interests.

They characteristically expand on "territory bases.". Such an organization is no profit and primarily instructive. The collection strength infrequently entrance hall the administration on on side of particular organisation and firm.

2. Chamber of Commerce: A large number of people involved in organisation, firm and commerce are a chamber of commerce. These are organisations created to

advance and safeguard the for profit and commerce happiness of a region, a state, or even the whole globe. They are wholly owed to give whole information about trade, commerce, etc., and promoting, partisan, or opposing legislative or other acts impacting the humans for profit happiness.

A part from other things trade can also help us to grow; along with the issue they took the responsibility of having trade linked issues for the resolution.

3. Informal Agreements: unceremonious agreements involve the substitute of contract flanked by humans on result term, having a fixed price etc.. Other name is gentlemen's agreement for informal agreements. Organization sector have a moral right to hold these terms.

4. Federations: The goal of federations' combination forms is to benefit member units for contracted, predetermined need. The most notable among these federations are "Pools" and "Cartels."

Pools are used when parties to a pooling agreement come together to control a product's supply or demand without sacrificing their identities. The contract may have to do with output regulation, reallocation, income redistribution, etc.

A cartel is a group of people who uphold the sales people agency. It is a pool of people where maximum people get in result good profit .A cartel is a mixture of teams where producers mixed their production process, set the price range, and sell out their items to remove from competition. The cartel members or unit of members acquire a pre calculative share of profits which they actually put.

5. Consolidations: Unification is the last stage of amalgamation. The uppermost height of addition is there in this structure. There are two different types of consolidation:

Partial Consolidations:

❖ **Trusts:** A board of trustees receives a majority of the stock held by the shareholders of the constituent organisations under a trust agreement in exchange for a trusted certificate. This temporary consolidation of the constituent organisations' store is a trust.

❖ **Holding Company:** A paused company is a entity which create to come together in one unit by holding more of the capital. It is defined as the

restricting companies. The holders directly operate independently in their names but the restricting companies try to control all the

- **Complete Consolidation:**

amalgamation: When more than one or more organisations merge, and a information organisation takes over their operations, a merger has occurred.

Acquisition: The process of acquiring a company at the buy cost or gaining premium is referred to as an acquisition. The amount is paid in cash to buy the company shares or on other forms also.

incorporation: The process of merging two or more businesses into one new entity or a subsidiary of another company is known as amalgamation.

8.4 Types of Business Combinations

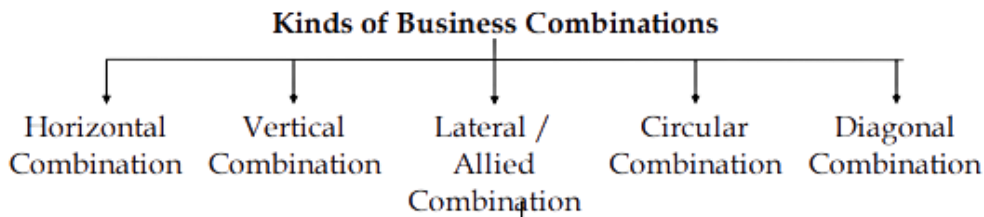


Figure 8.3: Types of Business Combinations

Horizontal Combination: In the context of trade and commerce, a horizontal combination is a grouping of plants at the same production stage or located on the same plane. There is only one type of management used to run them

Benefits

- Scale back the level of competitiveness
- Introduces the economics of massive production
- Supply and demand equilibrium
- Monopoly money made
- Financial security
- Cost-cutting
- Industry representation
- It makes government control easier

Disadvantages

- Unable to guarantee a steady supply of raw materials

- Cannot escape cut-through competition
- Customer exploitation is item
- Promote the development of monopolies
- Units continue to be in danger outside of the combination

Vertical Combination: It indicates the fusion of multiple business operations within an industry, from product manufacturing to distribution of the finished product.

Advantages

- Raw material assurance
- The economics of buying in bulk
- Elimination of middlemen
- Preserve the raw materials' quality
- The demand for fewer salespeople
- Better customer services
- Income security
- Innovation in science is made possible

Disadvantages

- Production on a large scale is not feasible
- Mutual reliance
- Increased competition
- Lack of adaptability

Lateral Combination: The term "lateral or allied combination" refers to businesses that produce various goods while still being connected in some way.

Divergent Lateral Combination: This occurs when a large company provides its product to smaller companies that combine it with other products to create new products. In other words, a product from one company offers the raw material for many different companies.

Convergent Lateral Combination: The numerous product categories produced by the combining units serve as the raw materials for a single company, which serves as the combination's central hub.

Circular Combination: A circular or mixed combination is created when companies from several industries that produce entirely different products join forces or merge under a single organisation. The main goal or concept of such a combination is to gain several administrative advantages.

Diagonal Or Services Combination: It occurs when a unit in the primary production line is joined with a team delivering crucial auxiliary goods and services to the industry. An organisation may produce additional items required to make the primary product marketable. The organisation will have the products and services needed for the primary production process. Diagonal integration combines an industrial business with a repair shop to maintain the tools and machinery in a specific order

8.5 Summary

- ❖ National Stock Exchange (NSE) was established on November 27, 1992, following the requirements of the Companies Act 1956.
- ❖ The Government of India has authorised this exchange following the Security Contract (Regulation) Act. It was first authorised for five years, beginning in April 1993.
- ❖ The National Stock Exchange offers a leading marketplace for businesses ready to list on a significant exchange.
- ❖ Combinations can take many different shapes, from an unspoken understanding among business partners to a tightly integrated merger or fusion of companies encompassing an entire productive activity sector.
- ❖ In a trade organisation, organisation gather in a given business difficulty set and discuss issues that will advance their economic and commercial interests.
- ❖ A chamber of commerce is a unpaid organization of where humans involved in trade, commerce and organization.
- ❖ Pools are used when parties to a pooling agreement come together to control a product's supply or demand without sacrificing their identities.
- ❖ A cartel is a team which shares the number of sales people fixed price by buying the shares from the market.
- ❖ Acquiring a company at the purchase price or acquisition premium is called an acquisition.

8.6 Keywords

National Stock Exchange (NSE): The most important store swap in India was recognized on November 27, 1992, and creates a stage for organisation to list and deal their privacy.

Companies Act 1956: A law in India governs the incorporation, functioning, and regulations of companies in the country.

Security Contract (Regulation) Act: A legislation in India that authorises establishing and regulating security contracts, including stock exchanges.

Trade organisation: An association of companies or business units engaged in a specific trade or industry, which collaborates to address common economic and commercial interests.

Chamber of Commerce: A voluntary association or organisation composed of individuals, businesses, and industries involved in trade, commerce, and industry. It works towards promoting and representing the interests of its members in economic activities.

8.7 Self-Assessment Questions

- 1) When was the National Stock Exchange (NSE) established in India?
- 2) What is the primary objective of the NSE?
- 3) How does the NSE differ from traditional stock exchanges in India?
- 4) What are some key features of the NSE's electronic trading platform?
- 5) How has the NSE contributed to the growth of the Indian capital market?
- 6) What role does the NSE play in promoting transparency and investor protection?
- 7) How do business combinations impact the financial statements of the participating companies?
- 8) Clarity on different types of business combinations?
- 9) Elucidate the five forms of business combinations.
- 10) Enumerate the forms of Business combinations.

8.8 Case Study

India's National Stock Exchange (NSE) has been essential to developing the nation's financial system. The advent of technology-driven trading systems, particularly the 1994 launch of the NSE's electronic trading platform, is an unusual case study outlining its operation. This game-changing action brought investors transparency, efficiency, and accessibility, revolutionising the Indian stock market. Faster transaction execution, real-time price dissemination, and shorter settlement cycles were made possible by the electronic trading system, which increased market liquidity and attracted a more extensive range of investors. The NSE is now one of the top stock exchanges in the world thanks to its dedication to technological advancement and strict regulatory policies, which have greatly aided the expansion and development of the Indian capital market.

Questions:

- 1) How did the introduction of the NSE's electronic trading platform in 1994 transform the Indian stock market?
- 2) What were some of the critical benefits of the technology-driven trading systems implemented by the NSE?
- 3) How did the NSE's focus on technological innovation and regulatory measures contribute to the growth and development of the Indian capital market?

8.9 References

1. L. Balaji, S. Reddy Sowmya. ROLE OF DISTRICT INDUSTRIAL CENTRES IN ENTREPRENEURSHIP DEVELOPMENT, 2017.
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Unit: 9
Combination Movement in India

Learning Objectives:

- Know the concept of Business Combination
- Understand the reasons for its emergence
- Know the basic characteristics
- Analyse some examples

Structure:

9.1 Introduction

9.2 grouping association in India

9.3 amalgamation society in India- Present

9.4 synopsis

9.5 Keywords

9.6 Self-Assessment Questions

9.7 Case Study

9.8 References

Combination Movement in India

9.1 Introduction

A business combination is a term used to describe an endeavour in which companies voluntarily band together to pursue shared objectives and benefit from monopoly advantages. The firms may agree in writing or verbally to form the combine.

Firms may choose to combine into a single entity on occasion. The primary goal of the business alliance is to ensure the economic welfare of all of its participants.

But if its goals go against the public interest, it is considered illegal. Combinations in business can be permanent or transitory.

9.1.1 Reasons for Combination Movement

1. **Elimination of Competition:** The firms' profit rate declines due to intense competition. Some businesses could also lose money. Therefore, it gives industrialists joy to create a combination to prevent competition.
2. **Solving the Capital Shortage Issue:** Small industrial units encounter the issue of capital shortage. They are unable to grow their companies. Because of this, small teams might combine to solve the problem.
3. **To Reach Economies:** A few small units band together to get benefit of the lower costs associated with major manufacture. Buying the raw materials cheaply enables you to sell more goods and boost your profit.
4. **Effective Management:** In general, small businesses cannot afford to employ the military of knowledgeable and seasoned supervisors. Consequently, little manufacturing unit's band together to recruit efficient management.
5. **Tariff Facilities:** Some industrial units combine themselves to compete with outside businesses. As another measure to safeguard domestic producers, the government applies high duties.
6. **Consistent rule:** All units accept the same rule due to company mergers. All of the units' business operations are regulated by it.
7. **Source of Technology:** The business combination's resources are sufficient, allowing it to use cutting-edge equipment and innovative production techniques. A single unit, however, is unable to do so.

8. To features Issues: In the age of price rises and depression, it is extremely difficult for small sectors to look disasters. Therefore, the small unit's band together to quickly address these issues.
9. Growth of Joint Stock Corporations: Combinations between different industrial units are now possible due to the expansion of joint stock corporations.
10. Market Status: A large company is more respected and held in higher regard than a smaller one. Therefore, tiny business units tend to join forces to achieve greater prominence.
11. Balance of Demand & Supply: A business combination that balances supply and demand effectively reduces overproduction. It modifies the supply in response to market demand. As a result, overproduction is prevented, and prices hold steady.
12. Development Activities: Initiatives in transport and communication have sped up economic activity. Now, a businessman and the others are in close contact. Therefore, it has also aided in the expansion of combinations.
13. Research: Small businesses cannot establish a research department; commercial alliances can access these facilities.
14. Economic instability: Money can be lost due to political and economic volatility. Small industrial units group together to lessen risk.

9.1.2 Advantages & Disadvantages of Combination

Advantages

- Increase in Capital - Creating a combination may increase the amount of capital.
- To undertake big commerce, the participants pool their resources.
- Elimination of Competition - By creating a combination, member companies generate monopolistic profit and eliminate unwanted competition.
- Savings in Expenses—Due to the combination, administrative production and distribution costs are decreased.
- Production Controls – The mixture is highly successful in reducing surplus. It is beneficial to change the reserve to match the need.
- Extensive marketing - The rival has a strong negotiating position in the marketplace. As a result, it charges a more excellent price for the goods.
- Expert Services - A combination may hire the assistance of seasoned professionals. It boosts the effectiveness of the pairing.

- Research Work-A combination may invest funds in this crucial for the business activity. This study project lowers its cost and raises its revenue.
- Transfer of Technology—Due to a technology transfer, a combination can use the most recent inventions and innovative production techniques. Profit will rise as a result.
- Immovability – A mixture is a more steady trade structure resemble to independent business divisions.
- There are also fewer odds of dissolution than in other cases.
- Division of Labour - The division of labour principle is used in combination, which improves the combination's production efficiency.

Disadvantages

- Monopoly is Created- In the long run, it creates a monopoly that is detrimental to the public.
- The concentration of wealth- It separates society into a small number of lessons, such as the wealthy, middle class, and impoverished.
- Unwilling to be acquire – The combination is unpopular and unaccepted by the public.
- Changes in Friction-There is a good likelihood that directors and officers will clash.
- They fight among themselves out of self-interest.
- No Personal Contact - Because this business could experience a loss, keeping personal contact with shareholders, creditors, and employees is impossible.
- Expensive Management – A combination employs expensive management, raising the cost of manufacturing.
- Excess of Capital- In any combination; there is a constant risk of Excess Capital. It is detrimental to the mixture.
- Fund Misutilisation – The Company’s directors abuse the capital while having available power.

9.2 mixture group in India

- The grouping society has not been as widespread in India compared to certain Western nations. In reality, before 1921, there was no movement in Indian manufacturing. The movement did, however, gather some momentum after that.

However, its development was prolonged compared to developed nations like the United States, Canada, Germany, and Japan.

9.2.1 Reasons for Slow Growth

The movement's slow expansion can be attributed to several factors. Following is an outline of a few of them:

1. **Slow Firm progression:** Combination is a logical byproduct of a highly developed firm progression. But because of a conscious effort by the British Rulers, our country did not develop its industrial sector before independence.
2. **Foreign Competition:** Indian businesses were only provided non-discriminatory protection from foreign competition in 1921. Industries had to contend with fierce competition from other nations.
3. **Size of the Units:** Another element that hindered the movement's advancement was the size of the industrial units. The business units were dispersed over a large area and were too modest in size.
4. **Management Agency System:** The management agency system is another factor that may be to blame for the movement's sluggish development. However, it is only partially accurate because the controlling agency system is a combination in and of itself.
5. **Industrialists' mentality:** The business people's individualistic and communal mindset has also halted the expansion of the mixture group in India. They hesitated to join any group because they thought it might undermine their independence.
6. **Administration rule:** The administration has forever had a neutral attitude towards this movement.

It has tried various steps to stop the development of combinations since it views them as a social ill.

9.3 Amalgamation Movement in India- Present

The current state of amalgamation in the country's trade can be studied from two perspectives, namely

1. Trade-wise amalgamation
2. Type-wise amalgamation

Trade-wise amalgamation

In several of the Indian businesses listed below, a few parallel mixtures in the form of working agreements and pricing strategy have developed:

Jute Industry

The Indian Jute Mills Association (I.J.M.A.) was established in 1886 to regulate the industry's productivity and stop the unjustifiable price decline. Members of the combination are proprietors of jute mills, representing more than 95% of the industry. As an output cartel, it operates. It has also founded a technology institute to advance technical advancement in the jute sector.

Cement Industry

In the cement industry, a combination was first attempted in 1920. As a result, the Indian Cement Manufacturers Association was established. The Cement Marketing Company was established in 1930 to regulate prices and avoid competition. Additionally, it performed the distribution task collectively. But this cartel's attempt was unsuccessful.

Consequently, in 1937, the Associated Cement Companies Limited (A.C.C.). Eleven cement businesses went out of business to increase the effectiveness of this combination.

Sugar Industry

In U.P. and Bihar, the sugar business is concentrated. There weren't many sugar mills in these states before 1930. Once protection was granted in 1931, the number of mills increased. Along with the external competition, internal competitiveness intensified. The Sugar Syndicate was established in 1937 with participation from about two-thirds of the sugar companies. However, the syndicate was disbanded in 1950 due to intense government pressure, and a partial sugar regulation was implemented.

Paper Industry

Another great example of voluntary pooling arrangements is the paper sector. The Titaghur Paper Mills, Bengal Paper Mills, and Indian Paper Pulp Co. Ltd. were the only three mills operating in the market then and had a near monopoly. Together, they established the Indian Paper Markets Association. A latecomer to the industry, the new mills also joined. Still, this system is more efficient.

Industry of Iron and Steel

Under the direction of the Government, the Steel Corporation of Bengal was officially combined by merging with the Indian Iron and Steel Company Ltd. in 1953. With effect from July 1973, the government assumed control of its management. The Steel Authority of India was established in 1973 as a investment corporation to manage the public sector fortify mills. In addition to this, the match, shipping, and petroleum refinery industries all use pooling agreements.

2. Combination-wise

1. Trade Associations

The owners of the navy plant made the first effort in this path. In 1801, they established the Association of Indigo Planters. The majority of the settlers were European traders and business people. Its development was gradual initially, and merely two associations—the Calcutta Traders Association (1830) and the Madras Traders Association (1856)—were established during this time. After 1860, the number of these associations increased dramatically.

The most significant relations shaped behind this era be

1. Indian Tea Association
2. Indian Jute Mills Association (1884)
3. Indian Mining Association (1892)
4. United Planters Association of Southern India (1898)

2. Chambers of Commerce

The Europeans had also taken the lead in founding Chambers of Commerce, as they had done with trade groups. But afterwards, the merchants from India also connected them.

The Bengal Chamber of Commerce was established in 1834 and was the first chamber of commerce created by Europeans. In Kakinada, India, in 1885, the first Chamber of Commerce of Indian Businessmen be established. These Chambers were first set up regionally to assist the local business community. Later, they were also divided into regional and national groups.

In addition to local chambers, readily available are currently 15 all-India chambers and two chamber federations, including:

1. The Associated Chamber of Commerce, Calcutta

2. The Federation of Indian Chamber of Commerce, New Delhi.

3. Cartels and pools

Only a few pricing strategy and contracts may be found in the Indian business world. Several industries, including jute, cement, sugar, paper, petroleum, refining, and others, have a high concentration of pooling or cartel agreements.

4. Vertical Combination

India's sugar and iron and steel industries both use vertical combinations. The Tata groups are mines with their collieries. Some companies in the sugar sector, such as Raza Sugar Mills of Rampur, have their beer creations and bakeries in adding up to producing honey.

5. Community Of Interest

Establishing a community of interest inside the Indian business is completely attributable to the managing agency structure. A survey conducted in 1955 revealed that 283 undertakings were under the management of eleven main managing agents. The most significant were Indian Managing Agency Houses like Tatas, Birlas, and Dalmias, However, the Central movement in our nation destroyed this system in 1970.

6. Holding Businesses

In our nation, this kind of combination is not very common. Several instances of holding companies that can be discovered in our state include

- Barrackpur Coal Company Ltd.
- The Equitable Coal Company Ltd.
- The Shaw Wallace and Co, Ltd.
- The Tea Estates Ltd.

7. Mergers and Amalgamation

Also uncommon in our nation is this level of total consolidation. This results from managing agents' dominance in the Indian corporate world. Several businesses, including sugar, electricity, coal mining, jute, banking, and the textile industry, experienced amalgamations

and mergers leading up to Indian independence. But it made relatively little development after independence.

9.4 Summary

- ❖ A business combination is a term used to describe an endeavour in which companies voluntarily band together to pursue shared objectives and benefit from monopoly advantages.
- ❖ The primary goal of the business alliance is to ensure the economic welfare of all of its participants.
- ❖ In the era of inflation and deflation, it is extremely rigid for small industrial units to look crisis. Therefore, the small units band together to quickly address these issues.
- ❖ Indian businesses were only provided non-discriminatory protection from foreign competition in 1921.
- ❖ The Indian Jute Mills Association (I.J.M.A.) was established in 1886 to regulate the industry's productivity and stop the unjustifiable price decline.
- ❖ The Cement Marketing Company was established in 1930 to regulate prices and avoid competition.
- ❖ Power of India was established in 1973 as a investment corporation to manage the public sector fortify mills.
- ❖ The Bengal Chamber of Commerce was established in 1834 and was the first chamber of commerce created by Europeans.

9.5 Keywords

Business Combination: It is a voluntary combination to further a common goal and get monopoly advantages.

Economic welfare: It refers to the general well-being and financial security of all alliance members.

Small units: Refers to compact industrial organisations that experience difficulties during recessions.

Non-Discriminatory Protection: Equal treatment and safeguards against unfair competition, especially from foreign firms, are two examples of non-discriminatory protection.

Regulatory bodies: Institutions that monitor and control a particular industry or sector, like the Authority of India, the Cement Marketing Company, and the Indian Jute Mills Association.

9.6 Self-Assessment Questions

1. What is the current landscape of combination movements in India across various industries?
2. How does the regulatory framework in India facilitate or hinder business combinations?
3. What factors have driven India's increased combination movements in recent years?
4. What are some notable examples of successful business combinations in India, and how have they impacted the respective industries?
5. What are the typical challenges faced by companies during the process of business combinations in India?
6. How do business combinations contribute to the growth and competitiveness of the Indian economy?
7. What role does the Competition Commission of India (CCI) play in regulating and overseeing business combinations in the country?
8. Are there any specific sectors in India that have witnessed more business combinations? If so, what are the reasons behind this trend?
9. How do business combinations impact employment and workforce dynamics in India?
10. What are the potential positive and negative implications of a high rate of business combinations on the Indian business landscape?

9.7 Case Study

The National Retail and Wholesale Federation (NRWF) was created in 2019 by the merger of the National Retailers Association (NRA) and the Federation of Indian Wholesalers (FIW). The merger sought to improve member services, boost industry participation, and streamline resources. The NRWF combined memberships and networks successfully, promoting lobbying efforts and encouraging cooperation across India's retail and wholesale industries.

- 1) What were the key motivations behind the merger of the National Retailers Association (NRA) and the Federation of Indian Wholesalers (FIW) in India?
- 2) What, according to you, could be the challenges here?
- 3) Explain some other types of business combinations.

9.8 References

- L. Balaji, S. Reddy Sowmya. ROLE OF DISTRICT INDUSTRIAL CENTRES IN ENTREPRENEURSHIP DEVELOPMENT, 2017.
- C.B. Gupta: Business Organisation (National Publishing House, New Delhi)
- Mathew, Sharma, Mehta: Business Organization (Sheel Write Well (P) Ltd. Jaipur)

Unit: 10

Integrated Marketing Communications

Learning Objectives:

- Understand the concept of advertising
- Learn its features
- Understand how publicity works
- Learn some modern methods

Structure:

10.1 Advertisement

10.2 Types of Advertisement

10.3 Modern Methods of Advertising

10.4 Publicity

10.5 Summary

10.6 Keywords

10.7 Self-Assessment Questions

10.8 Case Study

10.9 References

10.1 Advertisement

The Latin word "Advertere"—which means to turn (the mind) to—is the source of the English term "advertising." In general, advertising does draw people's attention to a product or service.

One of the most crucial elements of marketing communications, advertising is a strong communicative force that is very visible and aids in selling goods, services, concepts, and other things. Advertising captures the demands of the moment. There are commercials everywhere, whether one likes them or not. Newspapers, magazines, television, the internet, radio, and other media all contain advertisements. Every day, the average consumer is exposed to a staggering amount of advertising, especially the metropolitan and semi-urban populations.

10.1.1 Features of Advertisement

Paid Messages: This suggests that all promotional communications must be paid for, resulting in a business transaction. The advertiser pays for the time and space they purchase.

Non-Personal Channels: Advertising messages, whether spoken, written, or visual, are directed at a mass audience through non-personal channels, as opposed to personal selling, in which the salesperson engages the buyer in direct conversation(one-on-one interaction). The advertiser must employ group medium, such as the press, journal, telecast, promotional film, billboards, certified mail, etc., to reach many people with the advertising message.

Ideas, Goods, and Services: This characteristic suggests that mail may be connected to touchable (goods like body wash, surfs, toothpaste, woofer systems, shade televisions, etc.) or untouchable (forces like operations, cover term, tour, advisory, motel, etc.) or data (like advised by automakers for increasing the long distance of cars). This refers to the notion that the advertising is promoting.

Identified Sponsor: This implies that the marketing message's source or creator must be acknowledged. It claims that a company or brand name is the advertising's signature. The advertisement may occasionally include the name of the firm and the brand. For instance, most "Godrej" and "Tata" items have both the tag name and the firm name in their advertisements, as opposed to other products like Lux, Pears, etc., which only have the brand name. Any group media message not sponsored by a support is not an advertisement.

10.2 Types of Advertisements

Some of the kinds of advertising mediums are mentioned below.

Print Advertising - Advertising has long been done in print media. In many countries, advertising in newspapers and magazines is quite common. Companies can advertise their goods via leaflets and brochures in print media. The press and magazines sell publicity room, and the price is based on several variables. The amount of space determines the price of the advertisement, the publication's page, and the type of paper. Therefore, a front-page ad would cost more than one on an inside page. Similar to how an advertisement in the glossy supplement of the paper would price additional than single in a newspaper of inferior excellence.

Broadcast Advertising - It is an exceptionally well-liked kind of advertising worldwide. It comprises radio, TV, and online advertising. The audience for the popularity of television advertisements is enormous. The length of the advertising and the time it would determine how much it will cost. For example, single-time promotions would charge more standard ones. Since television and the Internet were invented, radio advertising has changed considerably, yet it still has a niche market. The radio jingles are well-liked in some facets of society and aid in product sales.

Outdoor Advertising - Outdoor advertising uses a variety of tactics to attract customers. Using billboards, kiosks, events, and trade exhibits to spread the company's message is efficient. The stalls are convenient places to sell goods.

Pre planned events like live shows and exhibitions to advertise to have services is also promotion for it. Consequently, outside publicity is a powerful promotion plan

Secret Advertising- In this unusual advertising, a product or message is carefully included in a movie or telly programme. The creation is only included in the movie; no genuine advertisement exists. For instance, in the film *Minority Report*, Tom Cruise utilised a Nokia phone.

Public Service Advertising- As the name implies, this type of advertising promotes general causes. frequent important problems, including AIDS, political honesty, power preservation,

illiteracy, scarcity, and others, require increased community information. This form of advertising has become increasingly important recently and is a powerful tool for message delivery.

10.3 Modern Methods of Advertising

Undoubtedly, in this modern age, contemporary trend advertising techniques are slowly but surely taking over the advertising industry. Many marketers adopt the pattern because many people are exposed to these conditions. Some methods that are used in it are mentioned below.

1. Internet Ads

The Internet is a potent and contagious tool for message dissemination in this cyber age. HotWired launched the trend of online advertising in 1994 when it posted the first banner ad on its website. Many other sorts of internet advertisements have become popular in recent years.

Some of categories are seek out mechanism ads, online sign ads, arise ads, and ppop ups ads. Users who enter keywords that coincide with the ad's headline in a search engine will see the corresponding advertisement. Because people look for advertising, they are more likely to be seen and less likely to be despised.

Because the online advertisement targets potential customers, it shows high specificity for the targeted audience. It's due to the presented advertising messages being relevant to searchers' interests. Online banner ads are a different subtype that is also popular. After a customer clicks in, pop-up advertisements frequently overlay the entire website's content.

2. Ads in Mobile Apps

Since the previous decade, intelligent mobile devices have become one of the most popular tools. Applications of all kinds are being used much more frequently. Pop-up advertisements, banner ads, and free incentive ads are just a few of the mobile app ad kinds that are commonly used. Mobile pop-up advertisements are typically displayed when users enter a specific app page. The ad material must be eye-catching and highly pertinent to the app, much like pop-up advertisements on the internet. You can use free incentive advertisements to promote the company or product. Users who click on free incentive advertising may receive incentives. The technique is used in numerous games on mobile apps. These players accept free rewards by interacting with the sponsors or downloading their apps. Additionally,

if consumers are pleased, they will keep using the advertiser's apps. It does not only promote the brand but more passionately towards the brand too.

The proliferation of movable apps has produced a good, if challenging, advertising method. It has been discovered that mobile app advertising helps to increase brand awareness and user engagement.

3. Video Ads

Another contemporary trend in advertising is to convey and provide information about specific items or brands in video form. Video usage as a medium for advertising has significantly increased in recent years. Marketers are primarily to blame for this viral video advertising trend. The rationale is that various media productions have discovered that it produces more significant results than online banner ads and, occasionally, TV ads. According to a thorough study, watching video advertisements while shopping can help customers recall the message of the ads, get more familiar with brands, and be more likely to make a purchase. Other platforms, such as outdoor digital billboard showrooms and others, may also use video advertisements.

4. Stealth Ads

One of the most popular trends in advertising today is stealth marketing, which involves drawing consumers' participation or even just attention without their knowledge. Due to its lower cost than other promotion types, mainly traditional advertising, has become increasingly popular in recent years. Stealth advertisements can reduce the aggressiveness of advertising to prevent customers from becoming aware of being sold to.

The most prevalent stealth advertisements are typically found in event or activity sponsors. This approach is constructive for introducing the audience to the brand name. If a person is drawn to a company's name or emblem without the brand being advertised, they may be intrigued and want to know more about it. Because the audience actively seeks out information about the organisation, they are likelier than the passive audience to become a potential buyer. In particular, stealth advertisements are excellent at reaching a specific audience segment. People participating in an activity or event, like a computer fair or a fashion show, may at least exhibit some of the same purchasing habits.

5. Outdoor Digital Ads

Outdoor digital advertising has been growing in importance over the last few years. Outdoor advertising has steadily increased recently, mainly because of digital billboards. On New York Times Square, the most extensive and most expensive 24 million LED pixels digital billboard has newly been constructed. Google Company is the first exclusive advertiser with a quarter million in expenses for one month (Steel, 2014). It is very successful at attracting a large audience. Digital advertisements, in contrast to conventional outdoor commercials, are both eye-catching and educational. It has been discovered that outdoor digital advertising works well to raise brand awareness among a broad audience and product awareness among a specific market group.

10.4 Publicity

Publicity is non-personal communications released in the media to increase demand for a good or service. The media could be the press, radio, or television. It is not a sponsored medium because the messages printed, aired, and distributed may have been motivated by the company, a package of information for the guests, etc.

Publicity can be both Negative and Positive.

Positive

Positive publicity is a publicity event that strengthens and enhances the brand's reputation. Events that generate favourable publicity are typically planned and benefit the good or service.

Negative

It can be considered harmful if it results in financial loss for the organisation due to more media attention and public awareness. Negative publicity can result from the news or an event that didn't have the desired effect. When a person or business is in the information for the wrong reasons, their connected brands and products frequently suffer.

The following are some examples of modern publicity techniques:

Planned Publicity

Through campaigns, product placements, promotions, etc., publicists and PR teams plan appropriate alliances and tie-ups for publicity. News and Electronic Media are two important ways of planned advertising.

Unplanned Publicity

Sometimes publicity occurs without the business intending it. It may be set off by a news story or a moment made in an interview. Several factors may cause a person or business to become public.

10.2.1 Features of Publicity

Non-personal mass media: Like advertising, publicity communicates with many people simultaneously (hence, non-personal) through newspapers, magazines, radio, TV, etc.

Important news for business: This characteristic sets publicity apart from advertising. When information regarding a company or product is deemed noteworthy, mass media frequently distribute it without charging. The promotion has the believe that it comes under the promotion of news channel rather than been the advertisement advertiser.

No Sponsor: The messages are unsigned because there is no sponsor, and the information is from the media. It is another distinction between publicity and advertising.

Not Paid for: Because a sponsor does not specify the publicity and the material is not sent to him, it is not required to pay for it for that material. It is the third feature which sets public media excluding from promotion.

Purpose (insist inspiration): Sometimes, product publicity increases demand.

10.3 Summary

Advertising captures the demands of the moment. Continuously the average consumer daily exposed to a amazing surplus of promotion in big and medium scale cities. Promotion

messages, whether spoken, written, or visual, are directed at a mass audience through non-personal channels instead of personal selling, in which the salesperson engages the buyer in direct conversation(one-on-one interaction).

Using billboards, kiosks, events, and trade exhibits to spread the company's message is efficient.

Hot Wired launched the trend of online advertising in 1994.

Because the online advertisement targets potential customers, it shows high specificity for the targeted audience.

Pop-up advertisements, banner ads, and free incentive ads are just a few of the mobile app ad kinds that are commonly used.

One of the most popular trends in advertising today is stealth marketing, which involves drawing consumers' participation or even just attention without their knowledge.

Publicity is non-personal communications released in the media to increase demand for a good or service.

10.4 Keywords

Advertising: Advertising impersonalises goods, services, or concepts to a large audience.

Mass Audience: A big group of people exposed to advertising messages, particularly in urban and suburban areas.

Online advertising: It is the practice of promoting goods, services, or concepts online through various media with a highly targeted audience in mind.

Stealth marketing: A technique for attracting customers' attention or interacting with them while they are unaware of it; frequently used to pique curiosity or generate buzz.

Publicity: It is the term for non-personal communications made available through media channels to raise demand for a good or service. It frequently aims to raise awareness and spark interest among the general public.

10.5 Self-Assessment Questions

- 1) What are the key features of effective advertising campaigns in the digital age?
- 2) How have modern advertising methods, such as influencer marketing and native advertising, transformed the advertising landscape?
- 3) Explain the various types of advertising.
- 4) How have advancements in technology, such as augmented reality and virtual reality, impacted the field of advertising?

- 5) What are the key characteristics of successful publicity campaigns?
- 6) How does publicity differ from traditional advertising in terms of its purpose and approach?
- 7) What are some effective techniques used in public relations to generate positive publicity for a brand or organisation?
- 8) How has social media influenced how companies and individuals engage in publicity?
- 9) What are the advantages and disadvantages of different types of publicity, such as earned media, owned media, and paid media?
- 10) How do public relations professionals leverage storytelling and content creation to enhance the impact of publicity campaigns?

10.6 Case Study

Brand X strategically advertised their new skincare product range with an influencer. The influencer promoted the brand's goods through several sponsored posts, videos, and live-streamed lessons while demonstrating how to use them and sharing her experiences with them. The brand reached a specific demographic of beauty enthusiasts by using the influencer's sizable and engaged following, developed through years of producing content about beauty. This audience trusted and respected the influencer's advice. The campaign successfully created a lot of talks and established the brand's skincare line as authentic and credible.

Questions:

1. How did the beauty influencer's established trust and credibility with her audience contribute to the success of the cosmetics brand's influencer marketing campaign?
2. In what ways did the influencer effectively showcase and demonstrate the skincare products to engage her audience and generate interest in the brand?
3. What could be the possible demerits of this kind of advertising?

10.7 References

1. L. Balaji, S. Reddy Sowmya. ROLE OF DISTRICT INDUSTRIAL CENTRES IN ENTREPRENEURSHIP DEVELOPMENT, 2017.
2. C.B. Gupta: Business Organisation (National Publishing House, New Delhi)
3. Mathew, Sharma, Mehta: Business Organization (Sheel Write Well (P) Ltd. Jaipur

Unit: 11
Advertising

Learning Objectives:

- Understand the objectives of Advertisements
- Learn the significance of Advertisements
- Critically analyse it

Structure:

- 11.1 Objectives of Advertising
- 11.2 Significance of Advertising
- 11.3 Criticism of Advertising
- 11.4 Summary
- 11.5 Keywords
- 11.6 Self-Assessment Questions
- 11.7 Case Study
- 11.8 References

Advertising

11.1 Objectives of Advertising

1. **New Goods:** To announce the launch of a new good or service: In a crowded market, introducing new goods and brands might offer the seller a fantastic chance to boost his sales.
2. **Market Expansion:** Market expansion to attract new customers can be accomplished by advertising to penetrate a previously untapped market niche. For instance, TV and video camera manufacturers focusing on home consumers and professionals can target government institutions and major corporations with their advertising.
3. **Announce a product change:** For this type of advertising, the terms "new," "improved," etc., are typically used as prefixes to the brand name. For instance, "The New Lux International" creates the idea that the soap is new, even though there may not be any real distinction between the old and new brands. The customer may occasionally mistakenly believe that a slight package modification results in a modified product.
4. **To present a unique deal:** A special offer might be made through advertising if there is competition, a slow period, sales are dropping, etc.
5. **To identify where stockists and dealers are located:** The names and addresses of stockists and dealers may be given to support dealers, promote stock sales, and motivate readers to take action.
6. **To remind users:** Users should be reminded that this sort of advertising is beneficial for goods with a high rate of "repeat purchase" or interests that are purchased regularly, such as blades, cigarettes, soft drinks, etc. The purpose of the advertisement is to prompt the consumer to request the same brand again.
7. **To please stockists:** A successful retail dealer relies on quick turnover to maximise the number of times his capital may be repurposed, which pleases stockists. Dealer

support is essential, especially for those juggling an extensive range of products on little shelf space. In addition to assisting the retailer with local advertising, advertisers send "display" materials to dealers for their stores.

8. **To establish brand preference:** This form of marketing accomplishes two goals: (i) It develops a brand's personality or image. (ii) It explains to the target market why Brand X is superior to Brand Y.
9. **Other goals:** Advertising also aids in raising the company's sales staff's spirits. Giant advertisements for their business and its products make salespeople happy, and they frequently brag about it. Advertising may also be used for other purposes, such as hiring new employees, luring investors with "Public Issue" announcements of share allocations, etc.

11.2 Significance of Advertising

Increase of Sale

The primary objective of advertising is to increase the number of consumers who purchase your goods. To do this, you can utilise advertising to persuade consumers that your product is excellent, practical, or attractive. An effective ad can convince consumers to buy your goods, which could significantly increase your overall sales.

Informs clients

Advertisement is created to inform prospects about the products and services. We can include the objective, purpose, and features of the product the advertisement. Through advertisement place to buy can also be intimated. Other than this we can inform prospects about sales, exclusive services for brand-new clients, or noteworthy events.

Teaches about rivals

Advertisement is important to keep track of competitors. Whenever a competitor brings in a new product reveal your advertisement focussing on the competitive edge over your rivals.

Retains customers

Advertising helps buyers to retain the image of your product in their minds. When the image of product is positioned in the minds frequency of the purchase of your product may increase. You can create a recall value through advertisements.

Distinguishes your brand

Advertisement helps to distinguish your brand. Do selective advertising to achieve this objective. Create advertisement in such a way that it creates attention and conviction value. It can be achieved by using logos, creative fonts, colour, tag lines etc.

Increases client faith

Advertising helps to create faith in customers. Information related to “Contact Us”, “24x7 availability”, “Customer service” are the tools which can be added in the advertisement to make customers reliable towards your product.

Reaches the intended audience

Using ads, you can easily identify or market to a certain target audience. Place an advertisement where your target market goes after doing market research to see whether it appeals to them or not. Create distinct advertisements for each target audiences if you wish to reach them in different locations.

Details the company's values

Through advertising, audience can learn about the values of your business. It can convince them to try your products. Distinct corporate values can build a brand's identity and boost customer trust.

11.2.1 Other Importance Of Advertising

To Manufacturers/ Producers

- Increase sales
- Quick sales
- Much dealer interest
- Costs reduction
- Steady demands for the products/services
- Helps in creating goodwill
- Create better performance in future

- Facilitate the Production of new goods
- More profit margin Development of business.

In the following ways, advertising is advantageous to producers:

- i) It increases sales volume. This sales volume results in a higher production rate, which could result in economies of scale and a cheaper cost per unit. Additionally, without advertising, the business would spend more money on more costly forms of promotion like personal selling and sales promotion.
- ii) Advertising facilitates a product's quick entry into the market.
- iii) It promotes open communication between producers and consumers.

To Consumers

- Purchases with no hassle in mind
- Awareness
- Improvement in the quality of goods
- No middlemen
- Educate Consumers
- Confidence in price
- Increase of Goods Utility.

Customers benefit from advertising in the following ways:

- i) Advertising frequently emphasises prices and quality. Customers are given an explicit guarantee in this way. Additionally, large-scale production is ensured.
- ii) It lets clients know when and where to get the merchandise. They spend less time shopping as a result.
- iii) It allows clients to weigh the benefits and drawbacks of various replacement items.
- iv) Modern commercials are pretty educational. It may be the only way for customers to learn about new and different uses for products.

To Society or Country

- Research Promotion
- Increase in standard of living
- Generates employment

- Civilization Development
- Brings healthy competition
- Economic Development

Additionally, the community as a whole gains the following. Benefits:

- Advertising encourages mass production, which increases job prospects. It guarantees advertising professionals job opportunities, i.e., writers, painters, etc.
- It begins a process that leads to the emergence of more desires and their fulfilment, raising people's living levels. Automobiles, radios, TVs, and other household appliances are among the innovations that have grown in popularity and use thanks to advertising.

Middlemen

Wholesalers and retailers, in particular, gain the following advantages from advertising:

- Since consumers know the product, selling it is simpler for them and its calibre via marketing.
- wholesalers and retailers share the brand reputation for a product developed through advertising.
- It allows wholesalers and retailers to gather product data.

11.3 Criticism of Advertising

The following are some arguments against advertising that some people have:

Most advertising is offensive: If advertising is to be believed, then Indians have the worst breath, the most dandruff, colds, dyspepsia, and terrible teeth worldwide. Even the most liberal people find movie advertisements unpleasant. Advertising is intrusive, inconvenient, and occasionally even ridiculous.

Advertising belittles the intelligence of consumers: When a commercial states that a particular brand of tyres has greater mileage, it does not specify greater mileage than what. The majority of people dislike it. Did you know?-style advertisements need to be better received.

Advertising appeals primarily to emotions: Advertising is perceived as less reasonable and objective and more emotional. For instance, rather than emphasising the product's

antiseptic properties, one advertisement for After Shave Lotion claims that using it makes the user more desirable and alluring to the opposite sex.

Media influence from advertising: Since advertisers are a vital funding source for the media, the latter are likely to impact the former. The media's reliance on marketers for funding may limit their independence. As a result, rather than providing information in the public interest, the media will instead disseminate the type of information that big business wants.

Discontent stems from advertising: According to this viewpoint, without advertisements, we would be less conscious of the world's material possessions and thus feel happier.

The following are some economic objections:

Advertising is ineffective: Advertising does not result in the production of any material commodities.

Increase in price: Since the price of a product also includes the cost of advertising, The consumer typically pays a greater price due to advertising investment.

Monopoly results from advertising: Brands are frequently highlighted in advertising. This concentration turns the consumer into a brand's serf. Because of this, established large producers often prevent new ones from entering the market by fostering strong brand loyalty through advertising.

11.4 Summary

Market expansion to attract new customers can be accomplished by advertising to penetrate a previously untapped market niche.

The primary objective of advertising is to inform about the products.

Advertising also aids in raising the company's sales staff's spirits.

A company's solid and apparent beliefs can connect with customers and foster brand loyalty.

Modern commercials are educational. It may be the only way for customers to learn about new and different uses for products.

The media's reliance on marketers for funding may limit their independence. As a result, rather than providing information in the public interest, the media will instead disseminate the type of information that big business wants.

Brands are frequently highlighted in advertising. This concentration turns the consumer into a brand's serf

11.5 Keywords

1. **Market Expansion:** The approach of expanding the market by focusing on underserved market niches through advertising and other promotional activities is referred to as market expansion.
2. **Advertising:** By raising awareness, stimulating interest, and persuading potential customers using various marketing strategies and platforms, advertising seeks to increase the number of people who buy a company's products.
3. **Brand Identity:** Utilising visual components such as logos, colour schemes, fonts, and messaging such as taglines, brand identity helps a company stand out from rivals by giving it a distinctive and recognisable image.
4. **Brand Loyalty:** Customers and a brand form a close bond due to their brand loyalty, frequently sparked by similar values, satisfying experiences, and ongoing contentment. The results are repeated purchases, advocacy, and reluctance to convert to competing companies.
5. **Media Independence:** To produce information that serves the public interest rather than being simply motivated by financial concerns, media outlets must be able to function without being excessively influenced or controlled by advertising or other external interests.

11.6 Self-Assessment Questions

- 1) What is the significance of advertising in shaping consumer behaviour and influencing purchasing decisions?
- 2) How does advertising contribute to the growth and success of businesses and industries?
- 3) How does advertising create awareness about new products and services in the market?

- 4) What role does advertising play in promoting competition and innovation among companies?
- 5) How does advertising help build brand identities and brand loyalty among consumers?
- 6) What are some of the adverse effects of advertising, such as promoting unrealistic body standards or harmful products?
- 7) How does advertising contribute to perpetuating consumerism and materialistic values in society?
- 8) In what ways can advertising manipulate and deceive consumers through misleading claims and false promises?
- 9) How does advertising impact the environment by promoting wasteful consumption and unsustainable practices?
- 10) What are the ethical implications of advertising, such as invading privacy or targeting vulnerable populations?

11.7 Case Study

Through relentless advertising, the tobacco industry has historically glorified smoking by portraying it as attractive and socially acceptable. These commercials appealed to young people by portraying them as sophisticated and independent. As a result, many people, especially naïve youngsters, were persuaded to start smoking, which harmed their health and led to addiction.

- 1) With this example, how would you defend advertisements? Give any two arguments.
- 2) How did the tobacco industry's advertising campaigns in the past contribute to the glamorisation and acceptance of smoking, particularly among young people?
- 3) What measures have been taken to regulate and restrict advertising practices to prevent promotion of harmful products and protect vulnerable populations, like teenagers, from being influenced by misleading or enticing advertisements?

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Unit: 12

New Age Advertising

Learning Objectives:

- Learn about the current trends in Advertising
- Know about its efficiency
- Know about emerging trends

Structure:

12.1 Current Trends

12.2 Current Status of Traditional Advertising

12.3 Digital Marketing- Status

12.4 Current Tools of Publicity

12.5 Summary

12.6 Keywords

12.7 Questions for Self-Assessment

12.8 Case Study

12.9 References

Current Trends in Advertising

12.1 Current Trends

Publicity and advertising are essential components of today's economic environment. They continually alter to accommodate shifting consumer habits, technology developments, and cultural changes. Some current trends in advertising and publicity are as follows-

Digital Advertising

Digital advertising has dominated the market. Businesses use digital channels to reach their target audiences due to the usage of social media and the Internet. Today's digital advertising techniques include search engine optimization, influencer marketing, social media advertising, and online advertisements. Digital advertising has become a potent tool for organisations thanks to the ability to target groups.

Mobile Advertising

As smart-phone use has increased, mobile advertising has become increasingly popular. To interact with consumers, advertisers are creating campaigns tailored specifically for mobile platforms, making their websites mobile-friendly, and using mobile apps. Mobile video commercials, augmented reality (AR) ads, and location-based advertising are a few of the cutting-edge strategies employed in mobile advertising. Mobile devices are an excellent platform for interacting with customers on the go because of their ease and personal nature.

Native Advertising

Native advertising entails seamlessly integrating promotional information into a platform's user interface. Native advertisements are created to complement the form and purpose of the adjacent content rather than interfering with it or explicitly pushing a product. They are frequently found in recommended articles, paid content, or social media feeds. Native advertising seeks to benefit users while gently advancing a company or item. This strategy has become more popular because it seems less intrusive and can increase participation.

Personalisation and Data-driven Advertising

Advertising strategies that are highly targeted and personalised are now possible because of developments in data analytics and consumer tracking. Advertisers gather information on

consumer preferences, behaviours, and demographics to deliver customised adverts. Thanks to this data-driven strategy, ads are more relevant and likely to resonate with the target demographic. Personalisation encompasses dynamic content, remarketing, personalised recommendations, and demographic targeting.

Influencer Marketing

Influencers have built substantial followings and credibility in particular spheres. Brands may reach specific communities and raise awareness of their products by utilising influencers' credibility and relationship with their audience. Various formats of influencer marketing are possible, such as paid postings, product reviews, and brand alliances.

Cause-related Marketing

Businesses are adopting cause-related marketing into their advertising tactics in response to customers' growing social consciousness in recent years. Cause-related marketing connects a company with an environmental or social cause to make a difference and enhance brand recognition. Advertisements that emphasise a brand's dedication to sustainability, social justice, or charity endeavours are well received by customers who value patronising companies that share their beliefs.

12.2 Current Status of Traditional Advertising

In the worldwide market, there are four leading traditional advertising media. India also experiences this. Which are:

- Print Media, where advertisements are placed in newspapers and magazines
- Radio and television media are commonly referred to as channels for advertisements or commercials.
- Outdoor Media, in which the commercials are displayed on billboards, hoardings, pole kiosks, shopping centres, etc., in heavily crowded locations.
- Another out-of-home advertising format is transit media, consisting of picture ads fastened to taxis, buses, bus seats, and other vehicles.



Figure 12.1: Difference Between Traditional & Digital Advertising

The market is healthy and capable of delivering because traditional media investment in India alone is estimated to be huge. It was more than 5 billion dollars in 2017. Considering India's population, advertisers still spend, on average, more than \$5 billion per person to place advertisements here. Due to the growth of the markets and the excessive demand for advertising, all of these numbers are expected to rise in the upcoming years as well.

Companies and advertisers favour using a traditional, comprehensive approach to brand strategy. The mainstream advertising market draws all different kinds of companies and organisations. Thus the industry has room to grow in the future. Because of this nation's status as a "developing" country and the rise of the smaller cities as commercial centres, advertising spending has expanded significantly over the past few years.

A further benefit of expanding the e-commerce industry is the rapid advancement of advertising programmes. Thanks to regulation improvements, starting and operating a business have gotten easier, faster, and less frantic in recent years, which has increased in small companies and start-ups.

12.3 Digital Marketing- Status

With cutting-edge digital technology becoming more prevalent, the Indian advertising sector is poised to reach new heights. India is the second-fastest growing advertising market in Asia. The Indian government is providing all the assistance the advertising sector needs. The Reserve Bank of India's policies increase the banking sector's advertising costs. Hence promising India a prosperous business environment for advertising. Due to the pandemic, the advertising industry has battled to survive for the past two years.

The market suggests a 31.6% rise on the digital side and a 14.5% growth on television due to the restrictions easing across industries like travel and hotels. Over-The-Top platforms will play a vital role in boosting the Indian advertising market in addition to traditional channels.

The nation has found a way to stay connected as more markets access the internet. The Indian advertising industry is expanding at an unprecedented rate, and digital advertising is flourishing.

12.3.1 Disadvantages of Digital/Modern Advertising

Consumers Disregard Ads

Consumers are so flooded with the advertisements that they have come to look down all types of advertising. It is applicable to online advertising also, where consumers have the option to click banner ads, bypass commercials while watching online films, and quickly swipe away pop-up advertisements from their displays. Customers select only that ad which they want to see.

Technical Issues with Viewing

Consumers face difficulty in viewing online advertisements due to browser problems, website defacement, and delays in loading videos or websites. Technical issues stops businesses from advertising their products and services which results in losing revenue. The reasons for seeing subjects can include problems with a website, using a smartphone or other mobile device to view a website, having a slow internet speed, or not having the necessary software and programs loaded on a user's computer.

Ad Prices

Online ads can be bought for thousands of dollars. The amount of traffic that a website receives calculates the cost of banner, text, and video advertisements. Pay-per-click campaigns and social media platforms have negative influence on a business's marketing budget. It yields a minimal or nonexistent return on investment.

Buyers Become Distracted

Being on internet has so many options for people. They may include downloading music, reading the news, or chatting with friends. This can quickly draw their attention away from your online advertisements.

Too many choices

There are so many websites to shop with. Consumers may switch to other sites depending upon online sales, offers, discounts etc. Finding a loyal customer becomes very difficult for the Organizations.

12.4 Current Tools of Publicity

Publicity increases level of awareness through news releases, events, and other forms of communication. As gaining media attention is publicity's main goal, it usually has a specific focus.

Here are some instances of publicity-generating tools in action:

Press release concentrates on specifics for an occasion, a declaration regarding a new product, or a significant change in the company's management.

You could set up and video customer interviews with potential clients using your product in a public place. Its a publicity stunt

Public speaking: Offering to speak about a business or brand in front of an audience might result in fruitful contact with the general public

12.5 Summary

Businesses use digital channels to reach their target audiences due to the usage of social media and the Internet.

Digital advertising has become a potent tool for organisations thanks to the ability to target groups.

To interact with consumers, advertisers are creating campaigns tailored specifically for mobile platforms, making their websites mobile-friendly, and using mobile apps.

Native advertisements are created to complement the form and purpose of the adjacent content rather than interfering with it or explicitly pushing a product. They are frequently found in recommended articles, paid content, or social media feeds.

Personalisation encompasses dynamic content, remarketing, personalised recommendations, and demographic targeting.

Various formats of influencer marketing are possible, such as paid postings, product reviews, and brand alliances.

Cause-related marketing connects a company with an environmental or social cause to make a difference and enhance brand recognition.

12.6 Keywords

- **A press release:** It is a written communication or announcement created by a company or organisation to communicate noteworthy information with the press or media, such as product launches, company updates, or events, to promote and generate media coverage.
- **Digital advertising:** This term describes how companies use online and social media platforms to advertise their goods and services to specific markets.
- **Native Advertising:** In place of being disruptive or overly promotional, native advertising is content that is created to meld naturally with the surrounding content, complementing its shape and purpose.
- **Cause-related Marketing:** Concern-related marketing is a marketing tactic in which a company links itself to a political, social, or environmental concern to make a difference and build brand recognition and reputation.

12.7 Self-Assessment Questions

- 1) How has the rise of social media platforms impacted advertising and publicity strategies?
- 2) What are the key advantages of influencer marketing compared to traditional advertising methods?
- 3) How are brands incorporating storytelling techniques in their advertising campaigns to create emotional connections with consumers?
- 4) What role does user-generated content play in contemporary advertising and publicity efforts?
- 5) What ethical considerations are associated with targeted advertising and data privacy in the digital age?
- 6) How are brands adapting their advertising strategies to cater to the growing popularity of voice search and smart home devices?
- 7) What impact does native advertising have on consumer perception and engagement with branded content?
- 8) How do brands use data analytics and artificial intelligence (AI) to optimise advertising and publicity campaigns?
- 9) What are the emerging trends in influencer marketing, such as micro-influencers and nano-influencers, and how do they differ from traditional influencer partnerships?

12.8 Case Study

In the e-commerce sector, personalised advertising has experienced substantial growth as businesses adapt their marketing strategies using data-driven insights. One noteworthy case study is An online fashion company with a powerful recommendation engine on its website. The business was able to provide highly customised product recommendations to specific customers by examining user surfing habits, purchase histories, and preferences. The click-through rates, conversion rates, and general consumer happiness all significantly increased due to this strategy.

Questions:

- 1) How did the online fashion retailer utilise data-driven insights to implement personalised advertising?

- 2) What were the key benefits and outcomes observed by the retailer after implementing the recommendation engine?
- 3) How did personalised advertising enhance the customer experience and drive business growth for the online fashion retailer?

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Welfare State

Unit: 13

Learning Objectives:

- Understand the concept of the welfare state
- Know its characteristics
- Learn its functions
- Critically Analyse

Structure:

13.1 Concept

13.2 Characteristics of a Welfare State

13.3 Objectives of a Welfare State

13.4 Functions of a Welfare State

13.5 Criticism

13.6 “Summary”

13.7 “Keywords”

13.8 Questions on “Self-Assessment”

13.9 Case Study

13.10 References

13.1 Concept

A notable feature of the 20th century was the creation of welfare states in democratic nations. In a welfare state, the government has a wide range of responsibilities. Governmental duties and activities have multiplied beyond recognition in the modern era.

There are some perspectives when it comes to defining a welfare state, some of these are-

D.L. Hobman defines the welfare state as “a compromise between the two extremes of communism on the one hand and unbridled individualism on the other”.

Arthur Schlesinger quotes, “The welfare state is a system wherein the government agrees to underwrite certain levels of employment, income, education, medical aid, social security, and housing for all its citizens.”

“G.D.H. Cole” calls the “welfare state” “a society in which an assured minimum standard of living and opportunity becomes the possession of every citizen.”

Background

“A welfare state” was first proposed by the Indian emperor Ashoka in the third century BCE. He didn't only see his dharma (religion or path) as a collection of lofty words. Declaring that "all men are my children" and "whatever effort I make, I strive only to discharge debt that I owe to all living creatures," he made a purposeful effort to adopt it as a matter of state policy. It represented a brand-new vision of kingship. Ashoka outlawed the killing of many animals and rejected violence and war. He dispatched several missions to spread the Dharma because he desired to rule the world through love and faith. Countries including Egypt, Greece, and Sri Lanka welcomed such missions.

13.2 description of a “Welfare State”

“Welfare state ensures social security”. The government is in charge of controlling economic activity and ensures the general welfare of the public, even in civilizations that incorporate socialism and capitalism aspects.

A welfare state is considered as socialist. It aims to offer the same chance for everybody.

All the financial actions are managed by it and the government governs all private businesses under a welfare state.

It provide essential amenities to its people. Rendering forces to “each and every person is its duty. Economic and social services, such as housing, public transit, general education, and health care”, to its residents, along with financial aid is provided by A welfare Government.

Several areas of welfare Government are owning and running businesses, industrial companies, and other commercial activities.

Justice is a right of every one. The common citizen in a welfare state has to bargain with the government for his needs. Executives of public sector organizations, social service staff, control personnel, sanctioning personnel, administrative personnel, etc. In all these trades a welfare ensures that justice is done and that its demands are fulfilled.

Formulating national regulations and equitably allocating resources to every economic endeavour is the responsibility of The welfare . Policies related to industry, trade, commerce, finance, and other areas are made to control such activities.

The welfare of employees is one of the welfare state's duties. A legislation must be passed to end worker exploitation and ensure the welfare of those working in factories, businesses, industrial enterprises, and all other employment sectors.

13.3 Objectives of a “Welfare State”

In a “welfare state”, “an individual's basic needs food, clothing, and met”; otherwise, the political liberties bestowed upon him are meaningless. The primary goal of welfare is to give people in need financial security in times of old age, illness, unemployment, etc.

Social equality: The welfare state's other goal is to promote social equality. Everyone should be treated equally without prejudice based on caste, religion, race, or other characteristics. Legal action should be taken against any person who threatens social equality.

Political security: This calls for granting everyone the same opportunities to engage in political activity without regard to discrimination. He should be allowed to freely share his opinions regarding the nation's issues. Thus, their rights have been protected thanks to an impartial judicial system.

To promote public welfare: The major aim of a “welfare state” is to promote public welfare, so it offers each individual the chance to develop on all fronts. The state bears responsibility for an individual's physical, economic, political, and social growth, and for this state to do so, the necessary environment must be created to promote global collaboration; a welfare state is also concerned with the well-being of the citizens of every nation. A welfare state believes in international cooperation because it wants a peaceful, harmonious, and wealthy world rather than the destruction of other states.

13.4 Functions of a Welfare State

“Maintenance of Peace and Order”

The “welfare state” is tasked with upholding internal harmony and ensuring safety for its citizens. It successfully protects its territory from outside threats or attacks. It supports political stability and preserves the rule of law. The constant stress and anxiety of the populace are reduced as a result.

Protects Rights

Citizens of a welfare state are guaranteed inalienable fundamental rights. It ensures equality, property rights, freedom of speech and association, and the rights to life, liberty, and happiness.

“Conservation of Natural Resources”

The “welfare state” works for the benefit of the community. It prevents the waste of the society property, including its “forests, fisheries, wildlife, minerals, and works of art.

“

Provision of Education

The welfare state motivates the less fortunate members of society to raise their education and prosperity. Some nations, like India, have made elementary and secondary education not only accessible but also required.

Public Utility Services

“Welfare governments” construct “roads, train lines, irrigation systems, water supplies”, and electric power. It offers various services, including telephone, radio, television, and post & telegraph. It manages bus, train, plane, and ship transportation plans, commonly managed by states, along with huge dams, projects with multiple purposes, necessary transportation and communication networks, etc.

Organisation of Labour

The needs of the working class are a top priority for the welfare state. It passes reasonable labour regulations and safeguards against labour exploitation. In many respects, it improves their well-being. To protect their rights, it enables people to create labour unions. It also aims to make living conditions better for people.

Protection of the Elderly, Poor, and Handicapped

In today's welfare states, the defence of the elderly, poor, and handicapped has become essential. Pensions are paid to the elderly and retired, while maintenance allowances are paid to the unemployed and the disabled. In order to guarantee that all of the state's most vulnerable citizens are effectively safeguarded, various social security processes are in place.

Public Health Maintenance

The welfare state offers curative and preventive medical services to protect the general public's health. It provides for things like sanitation, hospitals, complementary medicine, immunisations, and essential nourishing foods for the underprivileged, among other things. It makes plans to control lethal illnesses like leprosy, cholera, smallpox, plague, TB, venereal diseases, and skin conditions. It operates medical schools, research facilities, nurse training programmes, etc.

Recreational Facilities

The state offers its citizens access to films, plays, music, exhibitions, fairs, and other entertainment. Additionally, it builds playgrounds, museums, libraries, and public parks; it also sponsors contests to reward talent and promote excellence.

Upholds communal concord

The “welfare state” enacts laws that prohibit evil and destructive practices. It employs various techniques to improve relations amongst those with diverse socio-religious backgrounds. It tries to increase social harmony by increasing interpersonal understanding.

Disorganisation Is Prevented

The welfare state attempts to address several socio-economic issues, including crime, juvenile delinquency, prostitution, untouchability, the population problem, poverty, beggary, and others, using various methods. A welfare state's effectiveness can be evaluated by how well it handles these issues.

13.5 Criticism

Fraud risk: Fraud is always threat for every one there is very less possible ways to secure.

Make people dependent: makes it possible to develop a sense of dependence on the government, which can lead to fewer motivated workers and a decline in knowledge and skills.

Many social programmes don't deal with the underlying **causes of poverty**. Unless the welfare state deals with those issues head-on, there won't be a lasting solution to the problem because not all welfare states have robust economies.

Long-term support might not be possible for it to maintain: “Due to inadequate funding, several welfare programmes cannot assist people in the long run. There need to be more social programmes available today to meet the population's expanding demands”.

Costly administration: Since the welfare state must invest significant financial resources in the welfare of the poor, the sums required are shockingly large, making the welfare system expensive and potentially dangerous for developing nations.

13.6 Summary

“A welfare state is a system of government in which the state safeguards and encourages its citizens' economic and social well-being”.

A welfare state was first proposed by the Indian emperor Ashoka in the third century BCE.

The government governs all private businesses under a welfare state.

The welfare state's other goal is to promote social equality.

The major aim of a “welfare state” is to promote public welfare, so it offers each individual the chance to develop on all fronts.

The welfare state develops several significant enterprises to promote industrial growth and prevent exploitation.

13.7 Keywords

“Welfare state”: A form of governance where the state, through providing a range of social services and benefits, assumes responsibility for its residents' economic and social well-being.

Social security: It refers to the steps a welfare state takes to shield people and their families from the financial troubles brought on by things like unemployment, disability, old age, and other situations.

Government regulation: It is the act of the government monitoring and directing private enterprises and economic activity to maintain fairness, avoid exploitation, and advance the general welfare.

Financial stability: It is the condition of having a sustainable and stable economy in which people and society have access to the means of subsistence and support to maintain a given level of living.

Social Equality: Social equality is a goal sought in a welfare state by policies and initiatives meant to lessen disparities and encourage fairness.

13.8 Questions

- 1) What is a welfare state, and how would you describe its primary objective?
- 2) What are the critical functions of a welfare state in society?
- 3) How does a welfare state aim to address social inequalities and promote social justice?
- 4) What are some of a welfare state's main advantages in supporting citizens' well-being and quality of life?
- 5) In what ways does a welfare state provide financial assistance and social services to individuals and families?

- 6) How does a welfare state contribute to a country's economic stability and development?
- 7) What are some potential disadvantages or challenges associated with a welfare state system?
- 8) How does the presence of a welfare state impact individual motivation and personal responsibility?
- 9) What are some criticisms of a welfare state regarding its long-term sustainability and potential for dependency?
- 10) How do different countries around the world implement and tailor their welfare state systems to meet the specific needs of their populations?

13.9 Case Study

A comprehensive welfare state system is often compared to Sweden. The welfare state in Sweden seeks to lessen social inequality and poverty while ensuring that all residents have equal access to opportunities and a decent standard of living. The nation's welfare state is supported by high tax rates and a progressive tax structure that redistributes wealth and pays for extensive social programmes.

However, some believe Sweden's welfare state may burden the economy and breed government dependency, discouraging employment and entrepreneurial endeavours. However, Sweden's welfare state has been essential in developing a society where residents have strong social safeguards and a good standard of living.

Questions:

- 1) Is India a welfare state? Give two reasons for your answer.
- 2) What are some key features and benefits of Sweden's comprehensive welfare state, and how are they funded?
- 3) What are some of the criticisms and challenges associated with Sweden's welfare state system, particularly regarding its potential impact on the economy and individual motivation?

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Unit: 14
Government Assistance to Industries

Learning Objectives:

- Know the government-led schemes
- Understand their significance
- Know about all initiatives

Structure:

14.1 Introduction

14.2 Support to Small-Scale Industries

14.3 Medium & Large Scale Industries

14.4 Other Initiatives and Support

14.5 summing up

14.6 Keywords database

14.7 Questions on Self-Assessment

14.8 Case Study

14.9 Reference

14.1 Introduction

Government and Industries are interdependent on one another. With government support, the development of industry was feasible. A nation's economic strategy determines how much focus is put on industrial growth, controlled by various economic policy tools, including monetary, fiscal, agricultural, industrial, and commercial policies. Following independence, the Indian government made an effort to hasten economic growth to achieve the goal of constructing a "socialistic pattern of society," Consequently, a new planning era began in 1951.

The government has periodically taken the necessary actions to offer various forms of aid to industries.

14.1.1 Objectives

The following factors characterise the present situation's goal of extending government help and collaboration to industries:

- (i) To become self-sufficient
- (ii) To encourage exporters
- (iii) Defence against international rivalry
- (iv) To achieve balanced industrial growth
- (v) To keep the economy stable
- (vi) For economic planning to succeed
- (vii) The growth of significant investment sectors

14.2 Support to Small-Scale Industries

Small unit sectors have received support and development from the Indian government. India is putting greater emphasis on cottage industry and rural businesses. The federal and state governments have been placing increased emphasis on opportunities for independent work in rural areas by offering assistance and support in the way of funding in the use of loans, training in the proportion of having programmes, infrastructure, raw materials, and technology.

Utilising the local workforce and resources that are accessible locally is the government's primary goal which local departments, agencies, corporations, etc., further translate into action. Support for small businesses includes:

Organisational Help

National Bank for Agriculture and Rural Development (NABARD)

The government founded NABARD in 1982 to take action and advance rural businesses. It has used multifaceted marketing approaches to encourage rural interaction. It supports cottage industries, small businesses, rural artisans, and agriculture. It establishes initiatives for training and counselling as well as business growth.

Rural Small Business Development Centre (RSBDC)

A global organisation created the RSBDC, a government-sponsored centre for micro, small, and medium-sized enterprises. Working on behalf of communally and inexpensively deprived persons and team is the primary goal of RSBDC. RSBDC offers numerous programmes on entrepreneurship, awareness, counselling, and training.

These projects encourage unemployed young people and women to learn multiple trades and introduce them to additional positive benefits.

National Small Industries Corporation (NSIC)

NSIC assist small firms with a commercial focus. The following are NSIC's crucial duties:

- Provide machinery and imported items under a hire purchase agreement.
- Acquiring supplies of imported local raw resources.
- Expanding a small firm through the importation of their goods.
- Directing services.
- Knowledge of technological advancements.

Additionally, NSIC has launched a new programme called performance and credit rating for small units, which guarantees that the higher their credit rating, the more financial support they will receive for their investment and capital needs.

SIDBI - Small Industries Development Bank of India

It is a premier government bank that offers direct and indirect financial assistance through several programmes to satisfy the credit needs of diverse small companies.

The National Commission for Enterprises in the Unorganised Sector (NCEUS)

- Measures to increase the productivity of small, unregulated industries.
- Employment creation in the rural sector.
- Establishing connections between the small sector and infrastructure, technology, raw resources, and finance.
- To establish public-private partnerships for participation in the teaching of skills to the unorganised sector.
- Supplying microloans to the unorganised sector.
- Supplying social security to the unemployed.
- To establish small-scale competitiveness in a global setting.

Rural and Women Entrepreneurship Development

This government agency works to improve women's business environment and assist their entrepreneurial endeavours. It offers entrepreneurship training manuals and provides consulting services.

World Association for Medium and Small Enterprises

An international non-governmental organisation, WASME, was founded by micro, small, and medium-sized business units in India. It focuses on rural development and uses an action plan methodology to ensure the long-term expansion of rural industries.

System of money for renewal of conventional Industries

To help these traditional small businesses, facilitate increased efficiency, and foster their growth and development, the government established a fund in 2005.

2. Incentives

The economic and industrial advancement of underdeveloped, hilly, and tribal regions of India is given extra attention by the Indian government. The development of small-scale businesses and industries has been attested to and supported by committees, which have also been established to recommend necessary plans.

State-to-state differences exist in the programmes and plans. They work as a bundle of advantages and incentives to draw businesses to underdeveloped regions. The Indian government offers several benefits to small businesses.

14.3 Medium-Large Scale Industries

The following section describes the help provided by the central government to medium and large industries:

- Financial support
- Economic policies
- Technical infrastructure and commercial research
- Workplace training
- Councils for productivity
- Product standardisation
- Tax incentive policy
- Public assistance
- A survey of the industry
- Purchase guidelines for manufactured and semi-manufactured goods
- The sick unit's rehabilitation
- Aid for modernisation
- Support for entrepreneurs
- Transport support
- Industrial policy announcement of liberalisation
- Infrastructure-related facilities

14.4 Other Initiatives and Support

Schemes/ Initiatives of DPIIT (Ministry of Commerce & Industry):

To strengthen the nation's manufacturing sector and draw in more domestic and foreign investment, the Indian government has introduced many schemes. These include the merchandise and military duty, a lower business excise, better commerce conditions, adjustments to the FDI strategy, measures to make compliance easier, public procurement

orders supporting domestic manufacturing policies, and the Phased Manufacturing Programme (PMP).

Make in India

It hopes to attract investment and creativity. It was a noteworthy local initiative that spoke out strongly for local interests and helped promote Indian manufacturing internationally. Not just in particular country, region, or metropolis, but across the entire country, is the "Make in India" concept being implemented.

Industrial Corridor Development programme

The Government of India (GoI) has created Industrial Corridors in cooperation with state governments to speed up manufacturing growth. This plan aims to develop socket and engage in recreation communications at the scheme height and Greenfield manufacturing Regions, Areas, and Nodes with sustainable infrastructure. The National Industrial Corridor Programme is developing eleven industrial corridors in four stages.

Facility of starting Business

The objective is to enhance the convenience of exploit commerce and living across all Ministries, States, and UTs by by making simple for government to people. Rationalizing legislative requirements, streamlining procedures, digitizing administrative operations, and decriminalizing small, technical, or procedural errors are the initiative's primary focus areas.

PM Gati Shakti National Master plan

Making judgements based on facts rather than gut feeling regarding integrated multimodal infrastructure design is a game-changing tactic that will cut logistics costs. The Network Planning Group (NPG) and the Empowered Group of Secretaries (EGoS) have institutional mechanisms, in that order. The NMP has received almost 2,000 data layers from numerous federal ministries, state government agencies, and other sources.

National Logistics Policy

The National Logistics Policy (NLP), unveiled by the Indian government on September 17th, 2022, to get in lined up for growth nations. Establishing a comprehensive interdisciplinary, cross-sectoral, and multijurisdictional structure for expanding the arrangement business is an all-out effort to decrease needless spending. This legislative shift could lead to enhanced

economic growth, additional job opportunities, and improved export competitiveness for India.

Production Linked Incentive Scheme

These programmes were introduced to help India achieve its "Atmanirbhar" aspiration. These plans have the potential to result in significant benefits such as employment opportunities, high production and economic growth.

North-East Industrial and Investment Promotion Policy

NEIIPP- The North East Industrial and Investment Promotion Policy 2007, was established to encourage the area's industrialisation. It was notified for a ten-era phrase starting on April 1, 2007, and ending on March 31, 2017. The registered and it will be in profit receivable. The NER Schemes disbursed money or subsidies totalling Rs. 963.53 crores over the past three years.

North-East Development Scheme, 2017

On April 1, 2017, a new programme called the North East Industrial Development Scheme (NEIDS) 2017 went into effect for five years to promote the industry in the NE States and increase employment and revenue generation. Both the manufacturing and service industries were covered by the programme. Under the NEIDS, Rs. 46 crores subsidies were accessible until FY 2021–2022.

14.5 Summary

- ❖ Following independence, the Indian government made an effort to hasten economic growth to achieve the goal of constructing a "socialistic pattern of society," Consequently, a new planning era began in 1951.
- ❖ India is putting greater emphasis on cottage industry and rural businesses. The federal and state governments have been placing increased emphasis on opportunities for independent work in country region by offering assistance and support in the form of loans, communications, raw materials, and technology.
- ❖ The government founded NABARD in 1982 to take action and advance rural businesses. It has used multifaceted marketing approaches to encourage rural interaction.

- ❖ NSIC has launched a new programme called performance and credit rating for small units, which guarantees that the higher their credit rating, the more financial support they will receive for their investment and capital needs.
- ❖ The Government of India (GoI) has created Industrial Corridors in cooperation with state governments to speed up manufacturing growth.

14.6 Keywords

Industrial Corridors: These places or regions have been set aside to promote concentrated industrial development. The Indian government and state governments constructed Industrial Corridors to hasten the growth of the manufacturing sector. The objective is to build sustainable infrastructure in Greenfield Industrial Regions, Areas, and Nodes and Plug and Play amenities at the plot level.

Cottage industry: The focus is on small-scale companies and industries in rural areas, frequently involving regionalised production and traditional crafts.

NABARD: A government organisation created to encourage rural development and help rural companies and agriculture with funding, infrastructure, and training.

RSBDC: By offering resources and support for the growth of small enterprises in rural areas, the Rural Small Business Development Centre (RSBDC) aims to help financially and societal in person in the team.

NSIC: It is a government organisation that promotes the development of small-scale businesses by providing services and initiatives like the performance and credit rating programme, which awards financial support based on the credit standing of small units.

14.7 Self-Assessment Questions

- 1) What are the key government initiatives and assistance programs provided to industries in India?
- 2) How has the government supported the growth of small and medium enterprises (SMEs) through its initiatives and assistance?
- 3) What measures has the Indian government taken to promote innovation and entrepreneurship in various industries?
- 4) What are the government schemes and assistance provided to promote the adoption of digital technologies in industries?
- 5) How has the government supported the manufacturing sector through its initiatives and assistance, especially in Make in India?

- 6) What steps has the government taken to attract foreign investment and promote ease of doing business in India?
- 7) How has the government supported the agricultural sector through its initiatives and assistance, particularly in rural development and farm mechanisation?
- 8) What are the government initiatives and assistance programs aimed at promoting skill development and vocational training in various industries?
- 9) How has the government provided financial assistance and incentives to industries, such as tax benefits and subsidies, to encourage their growth and competitiveness?
- 10) What initiatives have been taken by the government to promote women entrepreneurs? Are they enough?

14.8 Case Study

The government introduced the "UJALA" (Unnat Jyoti by Affordable LEDs for All) plan 2015 to promote energy efficiency by offering LED bulbs at discounted prices to households and businesses. The project was remarkably successful thanks to widespread distribution, leading to significant energy savings, lower electricity costs, and reduced carbon emissions. The UJALA programme was essential in changing India's lighting system, promoting energy-saving technologies, and advancing the nation's sustainable development objectives.

Questions:

- 1) How did the UJALA scheme in India contribute to promoting energy efficiency within industries and households?
- 2) What were the key benefits and outcomes of implementing the UJALA scheme regarding reduced electricity consumption and carbon emissions?
- 3) Can you provide examples of other government initiatives in India aimed at promoting sustainable practices across different industries?

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Unit: 15

Industrial Policy & Democracy

Learning Objectives:

- Understand Industrial Policy
- Know its characteristics & objectives
- Know about the policies
- Understand Industrial Policy 1991

Structure:

15.1 Introduction

15.2 Industrial Policies

15.3 Industrial Policy 1991

15.4 Criticism of Industrial Policy 1991

15.5 Industrial Democracy

15.6 Summary

15.7 Keywords

15.8 Questions for Self-Assessment

15.9 Case Study

15.10 References

15.1 Introduction

The federal government takes action "to increase the competitiveness" and capacity to foster structural change and homegrown enterprises. Nation's infrastructure (the transportation, telecommunications, and energy industries) plays a significant portion of the industrial sector. It plays a crucial role in IP.

Industrial policies are sector-specific as whereas macroeconomic policies are general. They are often called interventionists, despite their adherence to laissez-faire economics. Policies, such as restricting lending or taxing capital gains, are sector-specific and include things like protecting textiles against imports or encouraging export-oriented industries.

The phrase "industrial policy" describes how the government views industries, including how they are established, run, grown, and managed. The large, medium, and small-scale sectors' respective areas will be identified in the policy. Additionally, it will outline the government's stance on issues such as foreign labour, tariffs, and capital.

Objectives

- To continue productivity's steady development.
- To increase the number of available jobs.
- Improve the way you use the people you have available.
- To use a variety of methods to speed up the nation's development
- Must be competitive and at par with world norms

15.2 Industrial Policies

The Indian government has established several industrial policies, including the following:

1. Industrial Policy 1948

It provided four classifications for various industries, including:

Arms and ammunition, nuclear energy, and other sectors where the central government had a monopoly made up the Strategic Industries (Public Sector). The Central Government was to establish Basic/Key Industries (Public-cum-Private Sector), and private-sector businesses were allowed to participate. It comprised the production of iron and steel, coal, and goods like ships and aircraft. Important industries (controlled private sector) were under the supervision of the federal and state governments yet were in the private sector. Heavy chemicals, sugar, cotton fabric, wool, and other materials were incorporated.

2. Industrial Policy Statement 1956

The Industrial Policy Statement of 1956 established the guidelines for the industrial development policies to be applied until 1991.

It promoted boosting public sector and promoting the division of ownership and management in private companies.

It categorised industries into three groups:

- Schedule A: It included businesses that fell under the purview of the state, such as those producing firearms and ammunition, nuclear power, railroads, etc.
- Schedule B: It contained businesses gradually acquired by the State and were open to both the public and private sectors.
- Schedule C: It was left open for the private sector and consisted of all the other industries that weren't covered by the first two schedules.

3. Economic Policy Statement from 1977

The Industrial Policy Statement of 1977 strongly emphasised the effective promotion of cottage and small businesses in rural and small-town settings.

This policy separated the small sector into cottage and domestic and small-scale industries.

4. Industrial Policy of 1980

The 1980 Industrial Policy promoted economic federation, increased public sector efficiency, reversed the three-year trend in industrial production, and reaffirmed support for the Monopolies and Restrictive Trade Practices (MRTP) Act and the Foreign Exchange Regulation Act (FERA).

5. New Industrial Policy 1991

As a result of the Industrial Policy of 1991, areas that had previously been exclusively reserved for the public sector were no longer so. Industrial licensing was also abolished for all projects except those in specific industries. Disinvestment of the public sector, which would have reduced government ownership of PSEs and increased the sector's efficiency and competitiveness, was also envisioned.

Currently, an industrial licence is only necessary for four sectors linked to security, strategy, and environmental concerns: Defence and aerospace technology using electronics certain toxic substances Business explosives tobacco cigarettes, cigars, and artificial tobacco alternatives

The threshold asset restrictions for MRTP businesses and dominant undertakings were removed due to an amendment to the MRTP Act. Competition Act 2002 took the place of the MRTP Act.

The more prominent roles were played by Liberalisation Privatisation (expanding the private sector's role and reach) Globalisation (the joining of the Indian economy with the global economy).

15.3 Industrial Policy 1991

1. Liberalisation

Liberation is achieved through liberalisation that started in 1985 with economic reforms. The nation had created a "licence permit raj" system. The revised financial strategy was to protect business owners from the annoyance of obtaining government authorisation. Similarly, large business houses were prohibited from launching new ventures under the Monopolies and Restrictive Trade Practices (MRTP) Act.

The second complaint was making uneven investments in heavy industries. It was suggested that the cap be raised to \$1 billion. The government claims it would be better to remove the

capital to allow large corporations to create projects like heavy industries, infrastructure, electronics, petrochemicals, etc.

Liberalisation did away with industrial licensing for all projects save for a group of 18 industries.

Objectives of Liberalisation

The following are the main goals of liberalisation:

- (i) To maximise the advantages of opportunities in the worldwide market.
- (ii) Promote high quality, worldwide standards.
- (iii) To encourage research and development.
- (iv) Simplifying the import and export processes.
- (v) To boost India's exports by making heavy machinery and raw materials from the global market accessible.

The following are some significant Liberalisation measures:

- (i) Only 18 industries were considered for licences following the 1991 introduction of a new industrial policy.
- (ii) The exemption threshold for industrial establishments has been raised from Rs. 5 crores to Rs. 25 crores for non-backwards areas and Rs. 775 crores for backward regions, respectively.
- (iii) The government periodically liberalised the MRTP Act's functionality. Large commercial organisations now have access to various industrial domains previously off-limits.
- (iv) Increasing investment capital for small-scale businesses and offering financial incentives for expansion.
- (v) Exempting units focused on exports from the licensing requirement. The teams committed to exporting 60% of their total production have been excluded from these criteria since February 1990.
- (vi) Making it simpler to import foreign technology for modernisation and quality improvement purposes

Implications

The reach of the private sector has increased as a result of liberalisation. Since most industries are now open to remote enterprise entry and competition has increased due to liberalisation, industrial production has increased. As a result of improved economic opportunities, several Indian businesses entered the international market. Many of them have established themselves abroad.

2. Globalisation

The entire globe is viewed as a single market by globalisation. It does not distinguish between the home market and the international market. Honda's manager, for instance, considers the entire world when making policy instead of just Japan because the corporation has clients worldwide.

Globalisation is regarded as a critical component. It is designed on Four parameters:

- (i) Decreasing trade to allow unrestricted movement of commodities and services across international borders.
- (ii) Establishing a setting that allows for the free flow of capital.
- (iii) Establishing a setting that enables unrestricted technology transfer between nations.
- (iv) The establishment of conditions that will allow for the free movement of workers among nations.

3. Privatisation

Privatisation is how a small group controls a publicly traded firm

A. Vital elements of privatisation:

- **Ownership Measures:** Private owners eventually come to own all public businesses. Denationalisation may be wholly or partially accomplished.
- **Organisational Measures:** This is where we restrict government influence over publicly traded enterprises. Among the techniques are leasing, reorganisation of the businesses, and holding company structuring.
- **Operational Measures:** Businesses and government entities were suffering significant losses. Thus, it was necessary to improve these businesses' efficiency.

B. India's Conception of Privatisation

1] **Delegation:** In this case, the government retains ownership and control of an enterprise through a contract, franchise, lease, grant, etc. However, the private corporation will handle

the everyday operations and product or service delivery. The state will continue to take part in this process actively.

2] **Divestment:** The government will sell one or more private enterprises a majority ownership in the company. It might retain some ownership but will only have a small part in the company.

3] **Displacement:** Deregulation will be the initial phase in this process. Private players will now be able to enter the market. And over time, the personal business will supplant the governmental ones.

Here, public enterprises will face competition from the private sector, eventually surpassing them, displacing the public enterprise.

15.4 Criticism of Industrial Policy 1991

The following reasons have been raised in opposition to the 1991 Policy:

- The policy entirely abandons the Nehru model of socialism. It will result in international corporations dominating the Indian economy.
- Trade unions reject the programme out of concern for potential job losses by privatising public sector entities and closing healthcare facilities. Worker displacement may result from industry restructuring and modernisation. The policy does not adequately account for labour redeployment.
- Monopolies and the concentration of economic power in a small number of individuals are likely to grow. There are no relevant export policy guidelines.
- The slow pace of investment is causing distortions in the industrial pattern.
- The connections between the new and old sectors need to be strengthened.
- There are no incentives to increase productivity and adopt new technologies.
- The location policy lacks clarity.
- To sum up, several aspects of the "Industrial Policy 1991" must be reviewed to make them more relevant and valuable. Economic growth in the coming years can be significantly pushed with the proper modifications to the policy and its successful implementation.

15.5 Industrial Democracy

An industrial democracy is a system or idea in which employees have a voice and participate in decision-making at work and in the larger industrial environment. It strongly emphasises involving employees in managerial and organisational choices that impact their pay, benefits, and general well-being, including their working circumstances. Industrial democracy can be expressed in several ways, including employee representation on corporate boards, workers' councils, collective bargaining, or direct worker involvement in decision-making through voting or consultation. Industrial democracy seeks to establish a more just and inclusive workplace where employees' rights, interests, and viewpoints are considered alongside those of management and owners.

Industrial democracy has been supported and promoted in India through some legal frameworks and procedures. Labour groups and trade unions have fought for workers' rights and involvement in decision-making throughout the nation's history. The following are some of India's industrial democracy initiatives:

- **Workers' Participation in Management (WPM):** The WPM programme was established in 1975 to make it easier for employees to participate in public sector firms' decision-making processes. It encourages communication and cooperation between management and employees, ensuring their active participation in decisions affecting output, productivity, and welfare.
- **Trade unions:** In India, trade unions protect workers' interests and promote industrial democracy. They engage in collective bargaining, represent employees' interests in negotiations with employers, and contribute to creating labour laws and regulations.
- **Collective Bargaining:** In India, industrial democracy is primarily based on collective bargaining. The terms and conditions of employment, pay, working hours, and other pertinent issues are negotiated between trade unions and employers. Collective bargaining agreements support a positive labour-management relationship by ensuring employees have a voice in workplace decisions.
- **Works Committees:** It can only be established at industrial companies that employ a specific number of workers, according to the Industrial Disputes Act of 1947. Representatives from management and employees participate in these committees,

which facilitate conversations on various workplace concerns and promote communication between the two groups.

- **Employee stock ownership plans (ESOPs):** These are becoming increasingly well-liked in India as a way to advance industrial democracy. They give employees the chance to buy stock in the business they work for, giving them a stake in the operation and financial success of the company.

15.6 Summary

- Promoting the expanding the growth of the economy's manufacturing sector is called its Industrial Policy Plan.
- The phrase "industrial policy" describes how the government views industries, including how they are established, run, grown, and managed.
- Effective promotion of cottage and small businesses in rural and small-town settings was strongly emphasized by The Industrial Policy Statement of 1977.
- The 1980 Industrial Policy promoted economic federation, increased public sector efficiency, and reversed the three-year trend in industrial production.
- An industrial democracy is a system or idea in which employees have a voice and participate in decision-making at work and in the larger industrial environment.

15.7 Keywords

- **Industrial Policy:** It includes how the government views industries, including how they are established, run, expanded, and managed.
- **Manufacturing Sector:** The manufacturing sector is the area of the economy that produces tangible goods using a variety of industrial processes. It covers the automobile, textile, electronics, and industrial sectors.
- **Small-Scale Businesses:** smaller enterprises are typically found in rural and small-town areas. The Industrial Policy Statement of 1977 strongly emphasised the need to effectively promote these companies since they are essential for creating jobs and supporting regional economic growth.
- **Economic Federation:** It is a concept that encourages cooperation and coordination between various sectors and entities within an economy to accomplish shared

objectives. The 1980 Industrial Policy sought to improve economic federation, which would boost public sector productivity and stop the decrease in industrial output.

- **Liberalisation:** The process of decreasing governmental limitations and regulations in the economy, particularly in the private sector, is referred to as liberalisation. The primary objective of liberalisation is to eliminate administrative obstacles and support an environment that is more open and competitive, supporting growth and development in the private sector.

15.8 Self-Assessment Questions

- Discuss key objectives of the industrial policy in India, focusing on the industrial policy of 1991?
- How did the industrial policy in 1991 in India aim to liberalise and open up the Indian market?
- What were the main features and reforms introduced under the industrial policy in 1991 in India?
- How did the industrial policy of 1991 impact the industry licensing requirements in India?
- What role did foreign direct investment (FDI) play in the industrial policy 1991 and its impact on the Indian economy?
- How did the industrial policy 1991 promote the development of export-oriented industries in India?
- What measures were taken under the industrial policy in 1991 to encourage technology transfer and enhance competitiveness in Indian industries?
- How did the industrial policy in 1991 facilitate the deregulation and privatisation of sectors such as telecommunications, power, and transportation?
- What were the significant challenges faced during the implementation of the industrial policy in 1991 in India?
- Discuss the long-term effects of the industrial policy of 1991 on the Indian economy and its industrial growth?

15.9 Case Study

Infosys, founded in 1981, initially had difficulties due to the restricted policies and constrained access to financing. However, the company saw a massive increase once the 1991 liberalisation measures were implemented. Infosys was able to access the global market thanks to the policy changes, bringing in customers and capital from abroad. The business capitalised on its proficiency in software development and IT services by utilising the policy's emphasis on technology and exports. As licensing rules were loosened and FDI was encouraged, Infosys could grow its business, develop alliances, and draw in clients from abroad. Infosys' development was aided by the policy's emphasis on privatisation, which gave it access to cutting-edge technology and infrastructure.

Questions:

1. How did the industrial policy of 1991 in India contribute to the growth and success of Infosys Technologies Limited?
2. In what specific ways did the policy reforms introduced in 1991 enable Infosys to expand its operations and attract foreign clients?
3. What role did the emphasis on technology, exports, and privatisation play in transforming Infosys into one of India's leading IT services companies?

15.10 References

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