

**Bachelor of Commerce  
(B.Com.)**

**Business Organization  
(DBCMMCO202T24)**

**Self-Learning Material  
(SEM II)**



**Jaipur National University  
Centre for Distance and Online Education**

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**Jaipur National University**

Course Code: DBCMCO202T24  
Business Organization

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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 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.

We hope you will enjoy the course.

## 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. India engaged in trade and business throughout the Harappan period. A few commercial activities have been 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**

Silk Route India was connected to neighboring countries through the network of street roots that led to the Silk Route. The Spice Route was a marine trade route that connected India to multiple countries. The company and trades began in India after the development of international channels for trading objectives.

### **2. Second World War**

The Second World War boom is primarily to blame for the rise in entrepreneurship, particularly in the small-scale sector, as it attracted a large number of businesspeople, artisans, and other enterprising people from diverse backgrounds to the small industrial sector. Using outdated equipment and their own money, a large number of highly skilled individuals established tiny businesses during this period. India started deliberate economic development programs in all economic sectors, including small businesses, after gaining independence.

### **3. Industrialisation**

In 1673, the East India Company began the process of industrialization. The task of introducing industrial cultures to India fell to the British. They visited India on business trips in the 19th century, and industrialization happened in the 20th century. The private sector was mostly established by the British.

Industries are located in the eastern and western parts of India. The East India Company had a major impact on the standard of global trade, the advancement of industry, and the import and export of goods. It gave rise to numerous social and political movements, including as the Swadeshi Campaign. Reputable scholars in India assert that the emergence of East India companies in India had a direct impact on the growth of manufacturing entrepreneurship.

### **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**

Despite the government's efforts to promote entrepreneurship, there are several obstacles 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 modern times, the Maurya Empire is hailed as one of the most significant periods in Indian history, a period of unification and independence. Trade increased, and metallic money and missions to Sri Lanka and Southeast Asia became popular.
3. The Associations of Traders were made in the Gupta Period (400-600 AD) to safeguard interests in international business codification.
4. Between 700 and 1300 A.D., paper and printing were invented. Roads and dams facilitate trade in the southeast. Asia and Indonesia.
5. A monopoly over international trade and a massive influx of gold and silver into the nation characterised the Mughal era (1500–1600 AD).

6. The British arrived during the Mughal Era II (1600–1700 A.D.).
7. Europe (1700-1850 A.D.) was then the centre of technological innovation. One early entrepreneur was a Surat trader named VirjiVora. The dealers introduced several innovative commercial practices. Many Indians became entrepreneurs by seizing the chances that arose.
8. In 1854, Dwarkanath Tagore and Carr Tagore NanabhaiDavar, a foreigner, established the first joint venture in the history of India. However, they were unable to run.
9. The railroads were built in 1853 during the second colonial era (1850–1900 AD).
10. Leaders in change like JRD Tata, MS Oberai, and Jamnalal Bajaj paved the way for Indian business people.
11. Scale industrialisation started to emerge after independence, which led to the emergence of businessmen like DirubaiAmbani.
12. Globalisation led to the rise of businessmen like Premji, Narayana Murthy, Rajesh Jain, etc.
13. The role of the entrepreneur has changed 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**

One of the most important reasons in favor of encouraging entrepreneurial programs in India is the fact that they contribute to the creation of more quality employment opportunities. Entrepreneurs create a lot of jobs because most businesses need a large workforce with a variety of roles.

- **Creates a setting for independent work.**

The fact that entrepreneurship programmes foster an independent work environment is another encouraging principle.

- Assists Business Owners with a Vision.

For business owners hoping to achieve success, concentrating on problems that affect the vast majority of people is crucial. An entrepreneurship program can assist in developing this vision, which will in turn encourage the creation of long-term, profitable companies. Entrepreneurs need solid ideas because they help them make better decisions in uncertain circumstances.

- Solves Issues Facing the Masses

Business leaders should concentrate on issues that the majority of people face if they are to succeed. An entrepreneurial program that supports the creation of long-term companies can aid in the development of this vision. Entrepreneurs need firm concepts because they help them make better decisions when faced with ambiguity. Take into consideration regional resources.

- Take into consideration regional resources

A country's GDP is influenced by its states' economic progress. Utilizing local resources also makes it possible for a state to advance. Most entrepreneurial programs place a strong emphasis on making use of local resources, raising demand for them, facilitating the generation of new wealth, and promoting economic jurisprudence.

## **1.5 Entrepreneurship in Digital India**

The Government of India has undertaken the ambitious initiative Digital India to transform India into a knowledge-based society and 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 networks like Facebook, Twitter, and LinkedIn. Additionally, pay-per-click (PPC) advertising and search engine optimisation (SEO) can assist business owners in enhancing their online presence.

### **3. Heightened interest from customers**

Engaging with customers has become simpler for business owners thanks to digital tools and platforms. Chatbots 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 Startup 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. The National Digital Literacy Mission and the Digital Saksharta Abhiyan are government initiatives to promote digital skills training and education. This has given business owners the ability and information to seize digitisation opportunities.

### 1.6 Government Initiatives

S.No	Scheme	Supporting Agency
1	Startup India Seed Fund Scheme	Department for Promotion of Industry and Internal Trade (DPIIT)
2	The Venture Capital Assistance Scheme	Ministry of Agriculture and Farmers Welfare
3	Stand-Up India for Financing SC/ST and Women Entrepreneurs	Small Industries Development Bank of India (SIDBI)
4	Single Point Registration Scheme	Ministry of Micro Small & Medium Enterprises
5	Dairy Entrepreneurship Development Scheme	Implemented by National Bank for Agriculture and Rural Development (NABARD)
6	Small Business Innovation Research Initiative (SBIRI) Biotechnology Industry Research Assistance Council (BIRAC)	Department of Biotechnology, Ministry of Science & Technology
7	Micro Units Development and Refinance Agency Ltd. [MUDRA]	Pradhan Mantri Mudra Yojana
8	Promoting Innovations in Individuals, Start-ups and MSMEs (PRISM)	Department Of Science & Industrial Research
9	New Gen Innovation and Entrepreneurship Development Centre	Department Of Science & Technology (DST)
10	Sustainable Finance Scheme	Small Industries Development Bank of India (SIDBI)
11	Material Testing Labs	Ministry of Micro, Small and Medium Enterprises
12	International Cooperation (IC) Scheme	Ministry of Micro, Small & Medium Enterprises

**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.
- ❖ 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. **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. Assess the effectiveness of the government's initiatives and programs to promote entrepreneurship in India.
9. Mention some key entrepreneurial developments in Mauryan and Mughal Periods.
10. 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 Indus Valley Civilization and their significance in the context of ancient commerce and trade networks.
2. Analyse the impact of the Indus Valley Civilization's entrepreneurial activities on economic development and cultural exchange with neighbouring regions, highlighting the importance of trade networks and the types of goods traded during that era.
3. According to your understanding, what could be business challenges during that time? Mention any two.

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## **Unit : 2**

### **Problems and Suggestions**

#### **Learning Objectives**

- Learn about the challenges faced by Entrepreneurs
- Know about ways to overcome
- Be able to suggest ways to improve
- 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 Self-Assessment Questions
- 2.8 Case Study
- 2.9 References

## **2.1 Challenges to Entrepreneurship**

The Indian economy has witnessed a significant surge in entrepreneurship in recent times, mostly attributed to the Made in India campaign and Startup India programs that have fostered an environment that is conducive to prospective entrepreneurs realizing their full potential. A number of factors have contributed to this surge in Indian entrepreneurship, including the growth of digital platforms, the increase of the middle class, and better access to state-of-the-art technology. Multinational companies like Google, Facebook, and Amazon have made investments that have enhanced the entrepreneurial ecosystem and inspired more entrepreneurs to start and grow their businesses.

But in a fiercely competitive economic climate, those who aspire to start a business face numerous challenges. In a country like India, which is regarded as the startup capital of the world, the government is working.

### **1. Having Trouble Getting Funds**

One of the issues that Indian business owners usually deal with is a shortage of operating money. It is difficult for fledgling businesses to obtain a steady flow of funding for their ongoing operations. In addition to their working capital, startup founders need a certain amount of buffer cash to support their companies during their highs and lows.

Understanding the right ways to secure funds, stick to your goals, and handle finances is crucial to the survival of your company.

### **2. Ineffective Business Planning**

Careful preparation is essential for any business to thrive in this fiercely competitive industry. Due to inadequate business strategy, the majority of Indian businesses meet an untimely end. The business plan should cover all facet of the company's operations, including funding acquisition and allocation, income generation, organization promotion, and market danger mitigation. Having a backup plan is crucial in the event of unanticipated circumstances. Planning for any future industry possibilities or risks requires research into future business trends.

### **3. Finding the Right Talent**

Finding the right people for the proper positions is a challenge faced by all business owners. It can be hard to match the goals of your startup with the skills of your personnel before you have the right people in place to run your operations. Poor hiring practices and unequal employment distribution often have serious repercussions for Indian companies. Furthermore, hiring is an expensive procedure that frequently costs business owners a fortune when they make multiple hirings.

### **4. Limited Marketing Budgets**

It's common for entrepreneurs to underestimate the significance of marketing operations. In order to establish brand recognition as a new business, visibility activities must be funded. Having little money makes it difficult to invest in costly marketing campaigns. If the business owner doesn't take advantage of marketing chances, the company can suffer.

### **5. Business Infrastructure Deficiencies**

One of the biggest challenges facing most Indian businesses is the lack of proper business infrastructure. Because they are new to the business world, entrepreneurs find it difficult to determine which industry resources are best to exploit to their advantage. The requirement for additional money makes it much harder for businesses to regularly purchase the newest office supplies.

### **6. Managing Recommendations and Criticism**

Startups receive a steady stream of criticism and remarks. It can be difficult for an entrepreneur to handle several criticisms of their company, particularly in the beginning. The majority of would-be business owners require assistance in comprehending how to react to criticism and input.

## **2.2 Challenges to Women Entrepreneurs**

In India, there are just 7 women company owners out of 100, according to the Mastercard Index of Women Entrepreneurs. The Google-Bain analysis shows that women own barely 20% of the country's businesses. Comparatively, the World Economic Forum's 2021 research also shows that India's labor market has a sizable gender gap of 72%. Among the many difficulties they encounter, a few are listed below.

### **1. Few industries are welcoming to women.**

Despite laws and other measures to enhance gender equality, men still hold a dominant position in India's entrepreneurial ecosystem. According to a recent survey, the majority of women-owned businesses in the country are in low-profit sectors, whereas men predominate in sectors like manufacturing, construction, and related ones.

Since several industries, including education, fashion, and beauty care, have historically been controlled by men, female entrepreneurs are also compelled to work in what have been called "women-friendly" fields. Their access to opportunities, experiences, and skills is severely restricted.

### **2. Lack of Institutional and Social Support**

The majority of women entrepreneurs don't have the social support from their peers, family, and local communities while starting their firms. Lack of business community mentorship is one of the biggest problems affecting women entrepreneurs in the country. Their confidence and willingness to take risks are severely impacted by the absence of a strong support network.

### **3. Poor Prospects for Funding**

The funding landscape in India exhibits notable disparities based on gender. Women-owned businesses in the country do not have access to capital because of discrimination from investors and other barriers. According to a survey by Innoven Capital, just 12% of the companies that received funding in 2019 had at least one female founder.

Women are seen as less creditworthy by banks and other financial institutions, and many angel investors and venture capital firms are reluctant to work with women-owned enterprises.

### **4. Access to professional networks is restricted.**

The restricted access to professional networks that Indian women entrepreneurs face is another of their core problems. The Google-Bain survey indicates that female entrepreneurs have fewer connections to social and professional networks. According to the poll, more than 45% of small business owners in urban areas face difficulties with network development.

Additionally, studies show that most modern professional networks are dominated by men, which makes it difficult for women to access or navigate these environments.

### **5. Lack of a supportive environment for entrepreneurs**

Learning, unlearning, and developing new skills are all part of the long journey to become an entrepreneur. To be the owner of a successful business, one needs to be raised in an entrepreneurial environment. However, many women are often negatively impacted by the lack of such an environment.

Initially, many women are forced to operate their businesses from home due to their familial responsibilities. They thus pass on opportunities to expand their market access, network, and interact with the business community. It also restricts their access to other learning opportunities, mentors, and resources.

### **6. Limited Movement**

Limited mobility is one of the main problems Indian women entrepreneurs face. They can't go on alone trips or stay in hotels on work without worrying about their safety. In India, a lot of hotels still require women to check in with a male companion!

There are still less Indian women than males who own motorized vehicles, despite the fact that many financially independent women have started to invest in automobiles.

### **7. Safety Issues**

The state of law and order has led to an upsurge in crime against women. The hostile and perilous environment poses serious challenges for female business owners who depend on mobility to carry out their operations. Because of this, it is challenging for women to go alone to many locations, and on sometimes, their safety requires the company of a guy.

## **2.3 Solutions to Overcome Challenges**

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

### **1. The development of a sales plan**

Owners of smaller businesses can still start with less capital by finding other ways to secure funding. They could begin with a government loan for small businesses or a traditional bank

loan. If they plan to provide an item or service for which they are aware that there is a significant market already, they may start a fundraising campaign.

## **2. Creating initial funding**

There are ways to obtain cash to get started for business owners with less capital. They might start with a conventional bank loan or a small company loan from the government. They might launch a fundraising effort if they intend to offer a good or service for which they know a sizable demand already exists.

## **3. Adhering to a budget**

An entrepreneur can remain prepared despite the unpredictable nature of running a business by closely monitoring their budget. They can do this by giving priority to marketing strategies that work and distributing the remaining funds in accordance with their specific needs. By identifying essential expenses, entrepreneurs may adjust their capital to better plan for changes.

## **4. Sustaining earnings**

Entrepreneurs can oversee the hiring process to make sure that only hardworking people who are committed to the organization's goal are chosen. They may provide extensive lists in an effort to attract candidates whose qualifications align with the specific requirements of the organization. To determine whether a prospective hiring would be a good fit for their business and whether the role will progress their professional aims, they can prepare interview questions ahead of time.

## **5. Recruiting for the organisation**

Entrepreneurs may supervise the recruiting process to ensure that they select candidates who will work hard and care about the objective of their organisation. They might publish comprehensive lists to draw individuals whose credentials meet the organisation's particular needs. They can design interview questions in advance to see whether a potential hire would be a good fit for their company and whether the position will further their professional objectives.

## **6. Managing personnel**

Entrepreneurs teach their employees how to achieve the company's goals in their roles as its creators and executives. They can accomplish this by formulating detailed, clear rules for every function. Effective communication of an organization's objectives by an entrepreneur can lead to a deeper understanding of expectations and goals among employees.

## **7. Expanding the company**

Once an entrepreneur has built his business to a certain degree of success, they can expand it. At this stage of business management, a number of things need to be taken into account, including managing the increased demand, locating new partners, and reassessing their place within the company. An entrepreneur could adjust the way things are now done to better suit the demands of the company.

## **8. Managing time**

Entrepreneurs may set deadlines to help prioritise their responsibilities. They can manage their time in various ways. They may determine which jobs they can delegate and which are essential.

## **9. Maintaining one's confidence**

It takes faith to lead and make wise business decisions for entrepreneurs. They may think back on their progress and set both short- and long-term goals. Sustaining kind leaders and employees could also be beneficial. An entrepreneur who exudes confidence may feel more prepared to face challenges.

## **10. Collaborating with others**

Successful business owners may consider partnering with other professionals or enterprises. Even if this might help them distribute leadership tasks and boost money, there are a lot of things to take into account. In order to progress the business, entrepreneurs can first assess what needs to be improved, decide if a partnership makes sense, and think about how their skills and personalities complement one another. It is essential to establish the terms of the partnership with legal counsel in order to protect the interests of all parties.

## **2.4 Suggestions for Entrepreneurial Development**

1. A framework for the growth of entrepreneurs in the nation's underdeveloped regions must be found.
2. The nation's educational system must be redesigned to focus on entrepreneurship and jobs.
3. The industrial departments should conduct feasibility studies to identify opportunities for establishing industries and produce and distribute prospective industrial maps to the public.
4. More technical and vocational education institutions and scholarships should be offered to encourage people to start their businesses.
5. To educate young people, various self-employment programmes should be given more publicity.
6. The expansion of consulting services is required at various industrial estates and zones.
7. 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.
8. Small business owners could benefit from a new tax framework.
9. For industry development, there should be sufficient infrastructure in rural areas, such as roads, electricity, and water.
10. To foster an environment conducive to investment, necessary improvements should be made to the industrial policy that the government periodically announces.
11. There is also a need for a stable capital market in the nation.
12. In exchange for participating in trade shows and exhibits, more units might be granted.

## **2.5 Summary**

- ❖ The Indian economy has witnessed a significant surge in entrepreneurship in recent times, mostly attributed to the Made in India campaign and Startup India programs that have fostered an environment that is conducive to prospective entrepreneurs realizing their full potential. 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.



- ❖ One of the issues that Indian business owners usually deal with is a shortage of operating money. It is difficult for fledgling businesses to obtain a steady flow of funding for their ongoing 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.

## 2.6 Keywords

1. **Make in India campaign:** A government programme to support domestic industry and attract foreign capital to India.
2. **Startup India initiatives:** Programmes and policies created by the government to aid in and promote the expansion of startups and entrepreneurship in India.
3. **Operating capital:** The sum needed to cover a business's ongoing costs and operational requirements.
4. **Brand recognition:** The degree to which clients are aware of and familiar with a specific brand or business.
5. **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

1. What are the fundamental financial challenges entrepreneurs commonly encounter when starting a new business?
2. How do entrepreneurs navigate the competitive landscape and overcome market challenges?
3. What are the psychological and personal challenges that entrepreneurs often encounter, predominantly female entrepreneurs?
4. Suggest five ways that could help solve entrepreneurial challenges.
5. What are some recommended approaches and tools for entrepreneurs to streamline their organisational and operational processes?
6. 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?
7. What initiatives by the government would help entrepreneurs? Mention any five.
8. What are some strategies for entrepreneurs to maintain a healthy work-life balance?

9. Write a brief note on the disparity of funds for male and female entrepreneurs.
10. 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:**

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

### **2.9 References:**

1. Raman. "15 Major Problems Faced by Women Entrepreneurs in India While Starting a Business in 2023." *The Office Pass*, 24 Apr. 2023
2. C.B. Gupta: Business Organisation (National Publishing House, New Delhi)
3. Mathew, Sharma, Mehta: Business Organization (Sheel Write Well (P) Ltd. Jaipur

## **Unit : 3**

### **Role of RIICO and District Industrial Centers**

#### **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 Self-Assessment Questions
- 3.7 Case Study
- 3.8 References

### 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. On January 1, 1980, it was divided into the Rajasthan State Industrial Development & Investment Corporation Limited (RIICO) and the Rajasthan State Mineral Development Corporation (RSMDC).

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.

1. **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. Additionally, this section is responsible for the reimbursement of support provided and the rehabilitation of sick industrial units.
2. **The Investment Division** is responsible for running and keeping track of the finances for various programmes providing industrial growth funding.
3. **Industrial Promotion and Infrastructure:** For developing and administering industries and industrial regions within the State of Rajasthan.
4. **The Finance division** is responsible for obtaining the money needed and maintaining the accounts needed to prepare the P&L account and balance sheet as required by the Companies Act.
5. **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 while keeping with the state government's social and economic goals and industrial strategy.
- To provide and guarantee the 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 ensure business viability and expand its resource base by generating a reasonable rate of return on the money put at the corporation's disposal.
- To perform the role of a merchant banker to enable the State's access to all relevant services.
- RIICO emphasises the development of the social and industrial infrastructure in and surrounding industrial zones.
- 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 provide an integrated administrative framework at the district level for promoting 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 (PradhanMantriRojgarYojana) programme. The state government is in charge of DIC management.

**Aims:**

1. To provide assistance
2. 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 for any of the areas, including marketing of raw materials, training, etc., depending on the specific requirements of that 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:

1. **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.
2. **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.
3. **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 the units and may be used for additional development efforts.
4. **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.
5. **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.
6. **Gives educated unemployed people a job:** The DICs have introduced a programme to 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.
- Offers support to business owners through the State Incentives Programme and funding assistance through self-employment programmes.
- The DIC provides information about marketing and its support in participating in trade fairs, buyers-sellers meetings, and other events and allocating raw materials to the related industries at the district level.
- 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:**

This government-supported initiative of the Ministry of Micro, Small & Medium Enterprises and the Government of India, which has been in place since October 2008, aims to give educated unemployed people alternatives for profitable self-employment through 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:**

The program aims to create job opportunities, including self-employment, for small units in cities and rural areas with a population under 1 lakh and an investment in plant and equipment under two lakhs. The Small Scale Industries Board, Village Industries, Handicrafts, Handlooms, Silk & Coir Industries, and other designated micro units are covered for financial support in the form of margin/seed money under the Scheme.

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. Additionally, entrepreneurs receive guidance with the choice of activity, the requirements for land, the project report, the acquisition of different no objection certificates, licences, and marketing strategy.

5. **District award schemes:**

The State Government has begun recognising such entrepreneurs with the District Award Scheme at the district level to encourage them to start small-scale firms and praise them for their success and achievements. 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 RozgarYojana) 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 provide one million educated unemployed youngsters in the nation self-employment by creating 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.
- ❖ On January 1, 1980, it was divided into the Rajasthan State Industrial Development & Investment Corporation Limited (RIICO) and the Rajasthan State Mineral Development Corporation (RSMDC).
- ❖ 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.
- ❖ The DIC provides information about marketing and its support in participating in trade fairs, buyers-sellers meetings, and other events and allocating raw materials to the related industries at the district level.

### 3.5 Keywords

1. **Rajasthan State Industrial Development and Investment Corporation Ltd. (RIICO):** RIICO is a vital organisation owned by the government of Rajasthan. It serves as the top agency responsible for developing industrial infrastructure in the state.
2. **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.

3. **Industrial Infrastructure:** It refers to the physical structures, facilities, and services necessary to support industrial activities. RIICO emphasises the development of social and industrial infrastructure in and around industrial zones in Rajasthan.
4. **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.
5. **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

1. Explain the role of RIICO.
2. Is RIICO efficient in its work? Do you agree that dividing departments according to work is an advantage? How?
3. List some aims and objects of RIICO.
4. Write a brief note on the origin of RIICO and DIC.
5. Explain any two schemes under the District Industries Centre.
6. How is DIC an essential source of help to small-scale industries? Mention any five points.
7. Explain the structure of DIC in brief.
8. A critical function of DIC is to identify entrepreneurs. Can you enumerate other vital functions it performs?
9. Explain the contribution of RIICO and DIC to entrepreneurial development in India.
10. 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. What were the key factors that contributed to the 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**

1. L. Balaji, S. Reddy Sowmya. ROLE OF DISTRICT INDUSTRIAL CENTERS 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 : 4**

### **Business Organisation**

#### **Learning Objectives**

1. Learn the concept of Business Organisation
2. Learn its steps
3. Understand the considerations
4. 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**

An organization established for business purposes is known as a business organization. A legal framework governing incorporation, property rights, and contracts and exchanges forms the basis of the organization. Often, the goals of businesses are to benefit society or turn a profit. A business that puts income first is seen as a for-profit entity. A non profit organization is not typically referred to as a business.

"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," defines a business firm, according to Bayard O. Wheeler.

The three main forms of business organization are corporations, partnerships, and sole proprietorships. Ownership is one of a corporate organization's most important components. A sole proprietorship is a business with just one owner or proprietor. It is the most basic form of for-profit business and is not as bound by governmental regulations as other types. The owner of a sole proprietorship is in charge of all business decisions and is entitled to keep all profits from the enterprise. But in addition, the owner bears sole responsibility for the debts of the business, putting their personal assets at risk in the event that the business is unable to pay its debts.

## **4.2 Importance of an Organisation**

Any company can be adaptable if it is organized properly. It makes a smooth transition possible in keeping with the hectic business world. The following points address the significance of an organization.

### **1. The advantages of specialisation**

In a firm, there are many different tasks to accomplish. It guarantees favorable work for a person who regularly excels in his area of expertise. A worker who consistently works in a given sector over time accumulates invaluable experience. Specialization therefore aids in subsequent endeavors.

Building relationships amongst employees inside a corporation is one way that an organization promotes accountability. This is accomplished by outlining the person to whom

an employee reports. It provides, in short, a methodical flow of information and instructions. This also helps to establish a hierarchy and makes clear the boundaries of authority and responsibility.

## **2. Resource Utilisation at Its Best**

Making sure that jobs are properly defined within an organization to avoid waste and duplication is another essential component of organization. It also says it helps with efficient administration and increases transparency in professional interactions.

## **3. Governance and effective administration**

Making sure that jobs are properly defined within an organization to avoid waste and duplication is another essential component of organization. It also says it helps with efficient administration and increases transparency in professional interactions.

## **4. Growth of personnel**

The business needs to take the necessary actions to guarantee that vacancies are filled by qualified workers. The delegation of this work fosters the creative growth of managers. This happens as a result of management using delegation to develop new ways to finish tasks and reduce workload.

This also gives them the opportunity to look into other business expansion avenues. From the perspective of the worker, it generates experience and empowers him to take on new responsibilities, so helping him to reach his maximum potential.

## **5. Development and Expansion**

The organisation ensures that the business takes on new 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 a formal management structure, which may or may not include association members.

#### **4.4 Steps in the Process of Organisation**

##### **1. Identification and Work Division**

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

##### **2. Organising the Work**

Grouping related duties and operations will provide a smooth workflow and the effective running of the company. We create divisions inside each department and departments for the firm as a result. An organization with this kind of structure operates much more efficiently.

Various departments and divisions can be found in organizations, depending on their size and volume of labor. A manager oversees each department at the top of the organizational chart. In smaller organizations, various departments may occasionally report to a single supervisor.

##### **3. Create Hierarchy**

The next step in organizing is to determine the reporting links for every employee in each organization. As a result, a manager creates the vertical and horizontal links within the organization.

This facilitates the prompt evaluation and management of each employee's performance. As a result, any required adjustments can be made immediately.

##### **4. Delegation of Power**

The phrase "authority" is commonly used to refer to the power to do as one pleases and to demand the loyalty of others. As a result, a manager needs to be granted the authority to carry out the responsibilities and tasks that are assigned to him.

He can only perform the necessary actions and tasks if we grant him the authority to finish them. As such, it is essential that we transfer authority in a consistent manner and establish the boundaries of the responsibilities and power that have been granted.



## **5. Coordination**

Lastly, the manager is in charge of making sure that every move made by various teams and personnel is properly coordinated. If not, there may be arguments among coworkers, duplication of effort, and loss of time and resources. He is in charge of making sure every department carries out its distinct responsibilities in a coordinated way. For the mission to be successful, the organization's goal must be met.

### **4.5 Consideration**

The foundational element of any contract is consideration. The only things that could be enforced legally would be the promises given in return for the evaluation. For the consideration to be enforceable under business law, each party to the contract must promise to do and not to do. In the absence of thought, a vow has no legal obligations.

As per section 2(d), Consideration is defined as-

“When at the desire of the promisor, the promisee or any other person has done or abstained from doing or does or abstains from doing, or promises to do or abstain from making something, such act or abstinence or promise is called a consideration for the promise.”

### **4.6 Essential Elements of Consideration**

#### **1. Consideration must move according to the Promisor's desire:**

It is the promisor, not a third party, who decides how the contract will be carried out. The consideration may be meant for a third party and need not always be advantageous to the promisor. A connection between the promisor's desire and the promisee's fulfillment is essential. It's also important to keep in mind that the promisor requests that whatever done during the reflection be done so, not voluntarily.

#### **2. It may move from one person to another:**

If the promisor has no objections, consideration may shift from one person to another person, following the law's definition of consideration.

#### **3. 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 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. An agreement must be **supported by consideration**, but that support **does not necessarily mean the consideration is equal to the commitment**.

**5. Consideration must be genuine and not hypothetical:**

Legal consideration standards state that consideration needs to be qualified, conclusive, and particular. It cannot be vague, uncertain, or unachievably challenging. The transaction is considered void in this case.

**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.
- 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. The organisation's foundation is a system of law governing contract and exchange, property rights, and incorporation.
- ❖ 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 needs to be done and breaking it down into manageable tasks.
- ❖ 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

1. **Business organisation:** An entity created to conduct business activities and operations.
2. **Sole proprietorship:** A business organisation where a single owner or proprietor owns and operates the business.
3. **Accountability:** The responsibility and obligation of individuals within a company to answer for their actions and decisions.
4. **Scope:** The extent or range of work that needs to be accomplished.
5. **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**

1. Understand the concept of the Business Environment
2. Learn about Business Ethics
3. Learn about Finances
4. 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 characteristics that are not influenced by the management of particular organizations are collectively referred to as the "environment". The business firm is the micro-unit, while the environment offers the macro-context. The environmental element is the "environment" that companies and their management have to operate in. The national institutional framework, the leaders' ideological convictions, the government's rules and regulations, the monetary policies of the central bank, the societal value system, the attitude toward foreign capital and enterprise, etc. are all components of the environment system in which a business firm operates. In general, environmental factors vary from nation to nation. The environments of other countries, such as the USA, the former USSR, the UK, and Japan, could differ from those of India.

### **5.1.1 Nature of Business Environment**

1. The characteristics of the business environment are as follows:

1. **Complex:** The business environment is by its very nature complex. The environment is difficult since it is made up of different components, events, situations, and impacts that come from different sources and affect business.
2. **Interdependence:** The business environment is composed of social, political, legal, cultural, technological, and economic factors. Technological advancement is influenced by economic conditions. A prosperous country has the means to devote resources to research and development.
3. **Dynamic:** There is always movement in the business environment. Because of shifting consumer preferences, technological breakthroughs, and the entry of new competitors into the market, the business environment is dynamic. Because of the myriad external factors that are always shifting, business is dynamic rather than static.

### **5.1.2 Significance of Business Environment**

1. Knowing the business environment has the following direct benefits:

1. **A customer-focused approach:** When management has a deep understanding of the surroundings, they can adapt to the changing needs and demands of the client. For instance, in response to consumer demand, Hindustan Lever and a number of other FMCG companies introduced small shampoo sachets and other products. This action increased the businesses' sales.

2. Strategy Development: Relevant information about the business environment is provided by environmental monitoring. Using this knowledge, strategies are made. Using this data, ITC created new hotel designs for both domestic and foreign sites.

3. Public Image: By exhibiting that it is aware of its surroundings and responsive to public goals, a commercial organization can improve its reputation.

### 5.1.3 Components of Business Environment

1. **Internal Environment:** The internal environment is a part of the business environment, which is made up of many internal factors that can influence or be influenced by the decisions, actions, and choices of the firm. It includes the environment, culture, tools and equipment, people and people's behaviours, work and work processes, and management and management techniques.
2. **External Environment:** Factors in the external environment are those over which the company has no control. They frequently alter unexpectedly since no organisation can forecast or control them. The functioning of a corporation may suddenly be hampered or even improved due to its erratic nature.

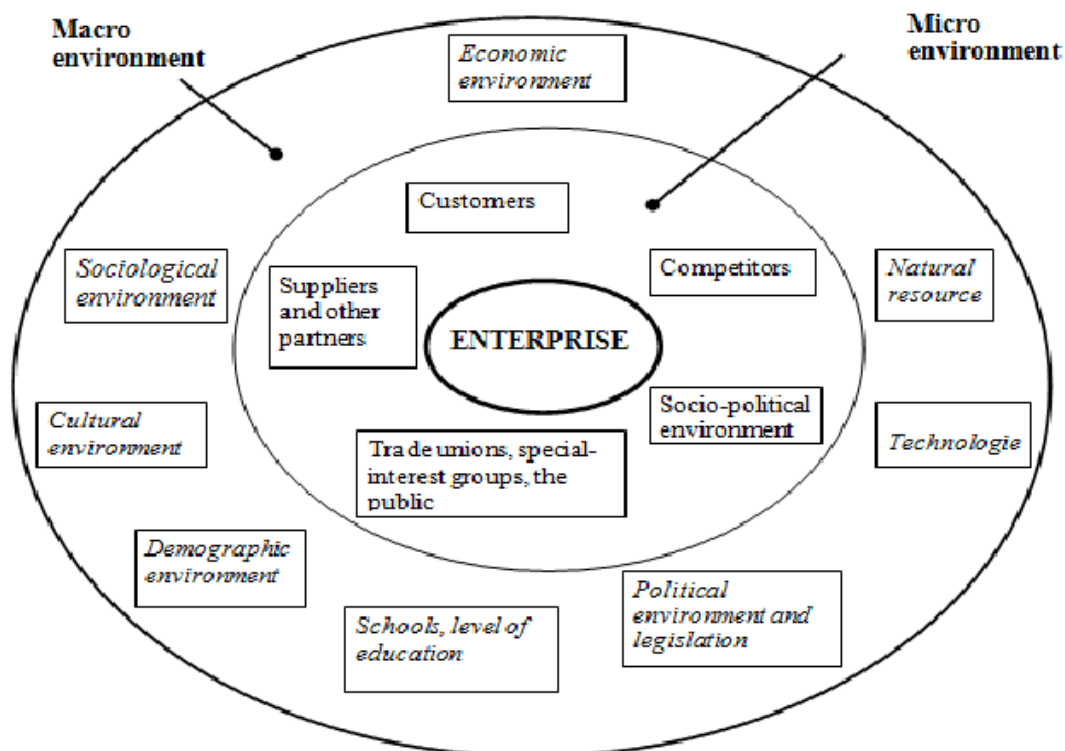


Figure 5.1: Components of Business Environment  
Source: Research Gate

### **5.1.3.1 Internal Environment**

It includes the following-

1. **Value System:** The value system consists of all the components of regulatory frameworks, such as the work procedures, management practices, customs, and culture and environment of the organization. Within the parameters of this framework, the staff members should complete the jobs.
2. The company's mission describes current operations, while its vision specifies where it wants to go in the future. It explains why it exists and provides a glimpse into the company's long-term plans and methods for achieving them.
3. **Organizational Structure:** The way an organization is structured determines how its operations are directed to accomplish its primary goal. Task delegation, coordination, the composition of the board of directors, professionalism, and oversight are some examples of these actions. It is feasible to have bureaucratic, divisional, matrix, and functional organizations.
4. **Business Culture:** Alternatively referred to as Organizational Culture, Corporate Culture.

### **5.1.3.2 External Environment**

#### **a. Micro Environment**

The business's immediate external environment, or microenvironment, impacts its performance since it directly affects its daily operations.

Several micro factors are:

- b. The company's target market consists of its customers.
- c. Other market players that target a similar target market and provide comparable goods and services are competitors.
- d. The company sells its product to consumers through the media.
- e. The company receives resources from all of its suppliers to execute its operations. Ultimately, the offering is delivered to the clients by the intermediaries.
- f. Partners are all outside businesses that work with the organization to fulfill client requests; examples include consultants, market research organizations, advertising agencies, and so on.
- g. The general public that affects the business's ability to service customers or how it runs, either directly or indirectly.**

#### **h. Macro Environment**



The macro environment includes distant environmental influences that affect an organization. Macro factors can have a significant impact on a corporation because they usually have an overall sector-wide effect.

P for political, E for environmental, S for social, T for technological, L for legal, and E for economic are the factors that make up the PESTLE classification.

- ❖ Political issues that affect a firm or an industry include tax regulations, labor laws, trade barriers, political stability, systemic corruption, and government policies.
- ❖ The economy of the country is influenced by economic variables. These include of inflation and interest rates, dollar value, economic growth, etc.
- ❖ The demographics of the nation take into account socioeconomic aspects. Among these include the rate of population increase, the distribution of ages, attitudes toward careers, health consciousness, etc.
- ❖ The facets of technological advancement that affect business operations are known as technological factors. Technical knowledge, automation, and research and development activities are all included in this.
- ❖ Laws influencing how businesses operate are referred to as legal considerations. They contain rules specific to companies, sectors, and even states.
- ❖ Everything that influences or is influenced by the environment in which a corporation operates is considered an environmental factor.

## **5.2 Business Ethics**

Greek term "ethos," which means "personality, guiding beliefs, standards, and ideals that pervade a group, community, or people," is where the word "ethics" originates. The term "ethics" refers to well-founded moral principles that outline what members of society should do, typically with relation to rights, duties, justice, fairness, or certain qualities. Ethics, then, is concerned with moral judgments that establish what is right and wrong as well as behavior standards.

A subset of applied or professional ethics, business ethics, often known as corporate ethics, deals with moral or ethical dilemmas that could come up at work. It pertains to every aspect of business behavior and is crucial to the decisions made by both individuals and entire organizations. The legal system, individuals, and organizational declarations all influence these ethics. These principles, values, and immoral and moral.

### 5.2.1 Features of Business Ethics

1. **Code of conduct:** When carrying out their regular business operations, businessmen should abide by the code of conduct established by business ethics.
2. **Based on moral and social values:** Commonly acknowledged moral and ethical concepts serve as the foundation for business ethics. It implies the moral compass of a businessman. They consist of not injuring or taking advantage of others, exercising self-control, volunteering in the community, and treating social groupings fairly.
3. **Establishes fundamental framework:** The framework for conducting business is established by business ethics. It indicates the bounds that an organization must operate within in terms of the law, society, morality, economy, and culture. It represents the good and the bad in the corporate world.

### 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.

1. **Judgment Making:** This is how we decide on a path of action. With it, our behaviour would be predictable and worthwhile.
2. **Standard performance of Employees:** Business ethics is concerned with standards of behaviour in the workplace, with partners, colleagues, and customers, among other things. Many businesses have a set code of ethics to which everyone in the corporation must adhere.
3. **Customer Satisfaction:** Customer satisfaction is essential to any successful business strategy. Repeated purchases/orders and a long-term relationship based on mutual respect are critical to the company's success. For long-term success, a company's name should inspire customer trust and respect. A company can only achieve this if it follows ethical practices.
4. **Responsible Behaviour:** Business ethics must make business people aware of their duties and responsibilities to consumers and other social groups.
5. **progressself-confidence of Stakeholders:** Business ethics is required to increase consumer confidence in the quality, price, reliability, and other aspects of the goods and services provided. It also aids in retaining the trust of stakeholders such as financial institutions, shareholders, buyers, and suppliers.

6. **defend Right:** Business ethics is required to protect consumer rights at the business level, such as the right to health and safety, the right to be informed, the freedom to choose, the right to be heard, and so on.
7. **Increased Corporate Image:** Business ethics is required to build a positive image of businesspeople 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.
8. **Relationship and Support:** Business ethics is required to develop pleasant and friendly relations between business and society.
9. **Long-Term expansion:** Organisations that conduct business ethically will continue to exist and thrive for a long time.
10. **Uniform Behaviour in entire 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.
11. **Attracting and retaining talent:** People want to work for Organizations with high ethical standards. Such businesses can attract top talent. Employees value the moral climate highly.

### 5.2.3 Ethical Programme

To ensure that workers understand the company's values and follow the policies and procedures that form the company's ethics, a business needs a robust ethics program. There are two categories of ethical programs that you can create.

**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:

1. Size of the enterprise
2. Nature of business
3. Possibility for future expansion
4. Professional management
5. Environment for investment: The nation where individuals make more investments.
6. 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.

7. Financial accessibility: Less capital is required in a nation with ample financial resources.

## 5.4 Summary

- ❖ The term "environment" encompasses all the factors that are not under the control of any particular corporate management.
- ❖ The nation's institutional framework, the leaders' ideological beliefs, the government's rules and regulations, the monetary policies of the central bank, the societal value system, the attitude toward foreign capital and enterprise, etc. all make up the environment system in which a business firm operates.
- ❖ Because of the constant changes brought about by technological breakthroughs, shifts in consumer preferences, and the entry of new competitors into the market, the business environment is dynamic.
- ❖ Environmental monitoring provides relevant information about the business environment. Using this knowledge, strategies are made.
- ❖ Executives in business function as catalysts for change. They start a movement at the grassroots level.
- ❖ Business ethics is required to 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

1. How does the business environment affect the day-to-day operations of a small business?
2. What common ethical dilemmas do businesses face in their interactions with customers?
3. Why is financial planning necessary for the long-term success of a business?
4. How can businesses promote an ethical culture within their organisation?
5. Why is it necessary for businesses to have a clear understanding of their financial needs and available resources?
6. What key factors shape the business environment in today's globalised world?
7. How does the business environment impact a company's decision-making process and strategy formulation?
8. What role do ethics play in establishing a positive business environment?
9. Enumerate the factors that are responsible for the decision regarding Finances.
10. 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**

1. C.B. Gupta: Business Organisation (National Publishing House, New Delhi)
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3. Y.K. Bhushan: Business Organization.
4. S.C. Saxena: Business Administration (Sahitya Bhawan, Agra)

## **Unit: 6**

### **Sources of Finance**

#### **Learning Objectives**

1. Learn about sources of Finance
2. Learn about Rajasthan Finance Corporation
3. Understand its characteristics
4. 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

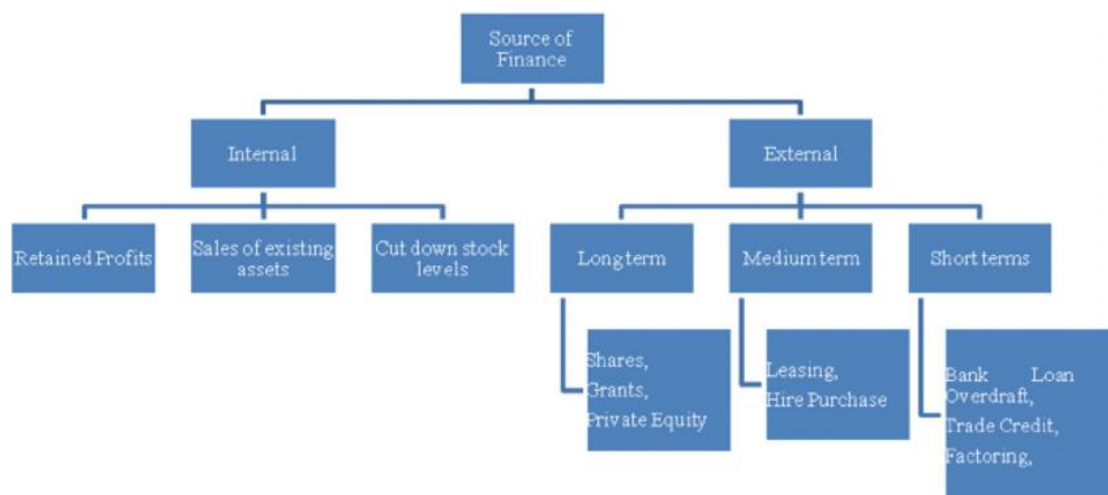


## 6.1 Sources of Finance

Business finance is the term used to describe the funds required to establish, manage, and finally grow a business. A specified amount of money is needed to buy various intangible assets such as patents, technological know-how, trademarks, and others, as well as various tangible assets like as buildings, offices, factories, machinery, and furnishings.

An enterprise's financial needs fall into one of the following two categories:

- Short-Term Financial Needs
- Long-Term Financial Needs

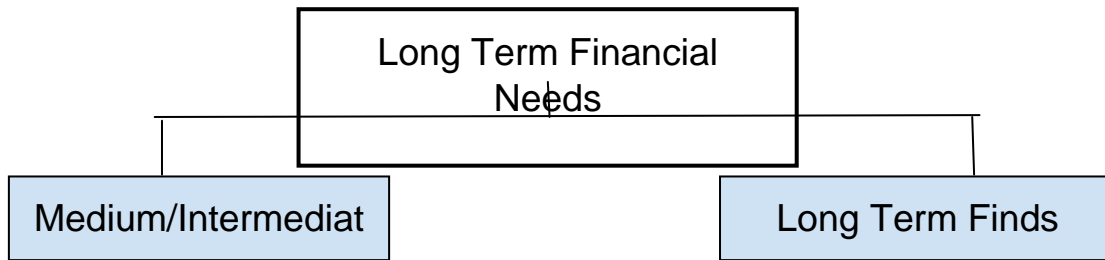


**Figure 6.1: Sources of Finance**  
Source: Research Gate

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



**Figure 6.2: Long-Term Financial Needs**

### **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) Unlike interest payments, dividends are not tax deductible, which can lower available earnings.
- 5) The availability of profits may be decreased because dividends are not tax deductible like interest payments.

### **1. 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.

### **Benefits:**

- 1) Flexible techniques.
- 2) No risk
- 3) Make use of advantages.
- 4) The issuance of preference shares does not affect the company's assets.
- 5) The issuance of preference shares has no meaningful impact on the management control that is now in place.
- 6) Redeemed over a predetermined time.

## **2. Debentures**

Debenture holders are, therefore, creditors who receive interest for the money they deposit with the company concerning profit and loss.

### **Types of Debentures:**

- **Registered/Bearer Debentures:** Registered debentures are those for which the holder's name, address, and other information are recorded in the register of debenture holders. Bearer debentures are transferable by mere delivery, and the corporation does not keep a record of the debenture holder's name and address.
- **Naked Debentures:** Because they have a specific charge on the company's assets, mortgaged debentures are also known as secured debentures.
- **Convertible Debentures:** These allow the holder to convert their bonds in full or part into any sort of security.

**Debentures:** 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. Money raised through the issuance of debentures may be employed in business to generate returns significantly higher than the interest rate.
5. Debenture holders are not permitted to influence the company's management.
6. Debenture issuance is preferable when a company's earning potential is low.

**Disadvantages:**

1. A fixed promise to pay interest at a specific rate constitutes a deficiency.
2. 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 directors of such companies improperly use the reserve fund.
- 4) It will lessen a shareholder's ability to pay taxes.
- 5) These businesses are successful in gaining a market monopoly.

**5. Loan From Financial Institutions**

Various specialised financial institutions have been established to address industrial firms' unique financial requirements.

A corporation may contact the leasing company when it needs fixed assets. A lease is a legal agreement wherein the owner of an asset, known as the lesser, enables a third person, the lessee, to use the asset for a predetermined amount of time in exchange 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) This solution is expensive, and the interest rate on the leased financing will be higher.
- 2) The lessee company must incur significant losses if the technology becomes outdated before the lease agreement expires.
- 3) The company's money is still unused if the assets are acquired through leasing.
- 4) The leasing business must rely on the leasing company to maintain assets acquired through leasing.

## **7. Venture Capital Financing**

Venture capital financing is investment in new and established businesses without a track record of consistent growth. In a larger sense, venture capital refers to the commitment 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 from six months to three years (the 12% interest rate offered is typically higher than what banks provide).

- **Trade Credit**

- It is owed to providers of products, services, and raw materials following a set period of time, typically less than a year. (It represents 2% of all business companies' clientele who offer credit facilities to their clients for trade or business.

- 

- ● **Business Banking**

- Important short-term credit dealers that finance current assets or circulating capital are commercial banks. Commercial banks provide the following services to their customers:

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

Although the interest rate on bank credit is somewhat high, the burden is reasonable because it is only utilised temporarily.

### **The Depreciation Fund**

A portion of income is set aside for depreciation, which is used to replace aging machinery, plants, and equipment.

- **Local Bankers and Fund Providers**

Small business owners, cottage industries, and rural artists can obtain substantial support from these sources. The financial demands of businesses and society are being met by these banks and lenders.

**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:

- 1) Foster a setting for balanced industrial growth.
- 2) It aids in developing the fundamental framework for industrial development.
- 3) The assistance should be extended to small- and medium-sized industrial units.
- 4) Encourage the establishment of high-tech industries.
- 5) Kickstart rapid industrialisation and economic progress in the state.
- 6) Support and motivate aspiring businesspeople.
- 7) 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 state government and Small Industries Development 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 chairman and managing director.
- (ii) The state government will propose two directors.
- (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.
- ❖ A debenture is an instrument used to recognise a company's debt.
- ❖ A lease is a legal agreement wherein the owner of an asset, known as the lesser, enables a third person, the lessee, to use the asset for a predetermined amount of time in exchange for a predetermined payment.
- ❖ In a larger sense, venture capital refers to the commitment of cash in the form of stock to create and establish small businesses focusing on novel concepts and emerging technology.
- ❖ 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

1. **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.
2. **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.
3. **Short-term financing:** This word refers to financial arrangements or loans obtained to meet a company's short-term working capital requirements.
4. **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.
5. **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 crowd funding as a source of business finance, and what are the different types of crowd funding 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**

1. C.B. Gupta: Business Organisation (National Publishing House, New Delhi)
2. Mathew, Sharma, Mehta: Business Organization (Sheel Write Well (P) Ltd. Jaipur)
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## **Unit: 7**

### **Stock Exchange & SEBI**

#### **Learning Objectives**

1. Study about SEBI
2. Know about its origin
3. Trace its development
4. 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 Summary
- 7.9 Keywords
- 7.10 Self-Assessment Questions
- 7.11 Case Study
- 7.12 References

## **7.1 Stock Exchange in India**

The stock exchange is a crucial component of the capital market that allows investors to trade in securities and provides capital. It is a highly organised market where securities are bought and sold for a profit through the participation of its members who work as broker jobbers.

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 Stock Exchange**

- (i) The stock exchange is An essential component of the capital market.
- (ii) A significant source of capital formation is the stock exchange.
- (iii) The market for buying and selling securities is regular.
- (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) Stock Exchange is a registered organisation
- (xi) It serves as a barometer to show the general 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

## 3. 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 balanced development of the nation by distributing securities more widely across the country.

### **7.2.1 Objectives of Stock Exchange**

The following are the primary goals of a stock exchange:

- To offer a specified location, a regular market, and other facilities to the Stock Exchange's registered members.

- 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**

#### 1. 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.

#### 2. 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 Ministry of Finance of India owns the Securities and Exchange Board of India (SEBI), which is in charge of the nation's commodities and securities markets. It was established as an executive body on April 12, 1988, and it was given legislative authority on January 30, 1992, by the SEBI Act 1992.

In order to regulate the securities market, the Securities and Exchange Board of India (SEBI) was initially established in 1988 as a non-statutory body. On January 30, 1992, the Indian Parliament approved the SEBI Act 1992, which granted it legislative authority and established its independence. In addition to its regional offices in Ahmedabad, New Delhi, Chennai, and Kolkata for its northern, eastern, southern, and western regions, SEBI is based in Mumbai's Bandra Kurla Complex. During the 2013–2014

##### **7.4.1 Structure**

Members of the SEBI, which includes the following, manage it:

The chairperson is proposed by the Indian Union Government. The members include two officers from the Union Finance Ministry. The Reserve Bank of India is represented by one person.

The remaining five members are offered by the Union Government of India; three of them must be full-time representatives.

With the 1999 modification, collective investment plans came under SEBI, with the exception of nidhis, chit funds, and cooperatives.

##### **7.4.2 Objectives of SEBI**

Some of the SEBI's goals are listed below:

1. Investor protection: Safeguarding investors is one of SEBI's primary objectives. Protecting the rights of investors entails giving advice and making sure the investments are safe.
2. Doing away with unethical trading and other misbehavior and implementing rules governing stock market activity



3. To draft a code of ethics for brokers and underwriters, among other financial intermediaries.
4. To maintain the right balance between self-regulation and legislative requirements.

### **7.5 Functions of SEBI**

1. Protection: The phrase "protective function" implies that the SEBI is safeguarding the interests of investors and other financial players. The protective function includes the following tasks.

Prohibits insider trading: Insider trading is the purchase or sale of company securities by directors, employees, and promoters of a company. Because SEBI has taken action to prevent such trading, companies are not allowed to purchase their shares on the secondary market.

Check for price rigging: Price rigging is the practice of manipulating stock market prices to create artificial price variations that cause investors to incur unanticipated losses. SEBI keeps a watchful eye out to prevent such malpractices.

Encouraging ethical behavior: SEBI works to prevent fraudulent activities related to securities trading and promotes ethical behavior in business.

### **Other powers and functions of SEBI**

1. To protect the interests of investors.
2. To regulate activities within stock exchanges and other financial markets.
3. To supervise and keep an eye on the operations of middlemen such stock brokers, bankers, portfolio managers, and share transfer agents.
4. To register and manage the activities of credit rating agencies, international institutional investors, securities custodians, and depositories.
5. To oversee and assist groups that engage in self-regulation.
6. To make unfair and dishonest commercial conduct pertaining to the securities markets illegal.
7. To make insider dealing in securities illegal.
8. To give stock market education and training to investors.
9. To be in charge of large share acquisitions and business takeovers.

10. Controlling venture capital funds, mutual funds, and collective investment plans.
11. To supervise and support theAccording to the SEBI Act, intermediaries must be registered and given registration certificates.

### **Authority to issue Directions**

- In the best interests of investors or the orderly development of the securities market.
- To represent the interests of investors or the securities market in the affairs of intermediaries or other people.
- To guarantee that any such intermediary or person is adequately managed, it may issue the following directives:
  - (a) to any individual or group of individuals mentioned in Section 12 or associated with the securities market; or
  - (b) to any business concerning the subjects mentioned in Section 11A, as may be appropriate in the interest of securities market participants.

### **7.6 Committees in SEBI**

Advisory Committee for the SEBI Investor Protection and Education Fund Advisory Committee for the Review of the Structure of Infrastructure Institutions Advisory Committee for Technical Advisory Committee Advisory Committee for Takeover Regulations Advisory Committee for Primary Market Advisory Committee (PMAC) Advisory Committee for Secondary Market Advisory Committee (SMAC) Advisory Committee for Mutual Funds Advisory Committee for Corporate Bonds & Securitization

### **7.7Summary**

An essential part of the capital market that supplies capital and permits investors to trade securities is the stock exchange.

- ❖ The Ministry of Finance of India owns the Securities and Exchange Board of India (SEBI), which is in charge of the nation's commodities and securities markets.
- ❖ The 1947 Capital Issues (Control) Act gave the Controller of Capital Issues the authority to regulate before SEBI was established.
- ❖ Investor protection is one of the primary reasons SEBI was established.

Price rigging is the practice of manipulating stock market prices to create artificial changes in the value of shares, which leaves investors with unanticipated losses.

One of the SEBI's most important responsibilities has been to protect investors' interests in the primary market, also known as the fresh issue market.

### 7.8 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. **SEBI:** The Indian regulatory agency observing, controlling, and defending investors' rights (SEBI). It was produced to take the Controller of Capital Issues position and is empowered to enact rules that uphold honest and open market practices.
3. **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.
4. **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.

### 7.9 Self-Assessment Questions

1. How has SEBI contributed to the development and growth of the Indian capital market 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 role does the Securities and Exchange Board of India (SEBI) play 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.

### **7.10 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 & Business Combinations**

#### **Learning Objectives**

1. Understand about National Stock Exchange
2. Learn about Business Combinations
3. Know its forms and kinds
4. 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

## 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 sheer volume of trading activity and the usage of automated technologies. This may contribute to greater investor confidence and market awareness.

- Modern technology also allows orders to be filled more quickly, increasing liquidity and pricing.

## **8.2 Business Combinations**

When two or more commercial or industrial entities are run or controlled by a single ownership interest, a combination 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 avoid unproductive and toxic competition.
- Desire for power, survival, 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 skills of capable entrepreneurs.
- It allows for the full cooperative exploitation of technical know-how and patents.
- It permits the units to band together and monopolise all production, management, and marketing involving economics.

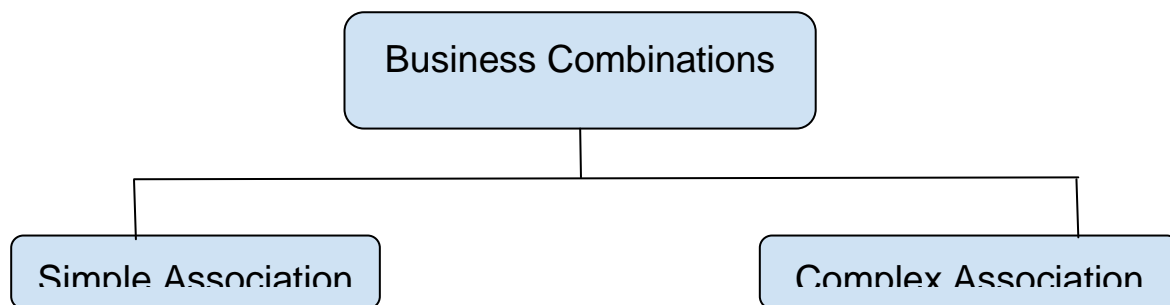
### **8.2.2 Disadvantages**

Misuse of group power;  
incompetence; increased risk;  
support for excessive capitalization;  
an impediment to economic progress;

unfair methods used to destroy small business owners; the concentration of political and economic power; producer exploitation; deceptive tactics; instability in the financial system; consumer exploitation are among the issues.

### 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**

Simple Association comprises Trade Associations, the Chamber 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:** Company units engaged in a trade usually gather in a trade organization to discuss matters that will further their commercial and economic interests.
2. Usually, they grow on "territory bases." This kind of organization is mostly educational and non-profit. From time to time, the group may petition the government on behalf of a specific trade or industry.
3. **Chamber of Commerce:** A chamber of commerce is a voluntary association of individuals engaged in trade, business, and industry. These are institutions established to promote and protect the business and commercial interests of a country, a region, or even the world at large. They are in charge of obtaining and distributing data



regarding commerce, business, etc., as well as advocating for, against, or supporting laws or other actions that have an effect on the members' business interests.

4. **Informal Agreements:** Participants in informal agreements exchange pledges regarding things like price fixing and output limiting. Another name for them is gentlemen's agreements. Businesses only have a moral duty to keep their promises.
5. **Federations:** Combination forms of federations aim to serve member units for specified and agreed upon aims. These federations are primarily renowned for their "Pools" and "Cartels."
  - When parties to a pooling agreement band together to manage the supply or demand of a product without compromising their identities, a pool is created. The contract might cover things like income redistribution, reallocation, and production restriction.
  - A cartel is a group of people who use the same sales agency. It is a pool of output and profit as a result. A cartel is a group of producers who pool their resources, decide on a price, and sell their goods together in order to drive out rivals. Members of cartels, or their units, get a set percentage of the profits they make.

**5. Consolidations: A consolidation is a combination's last iteration. This form has the maximum amount of integration. Two distinct forms of consolidation exist:**

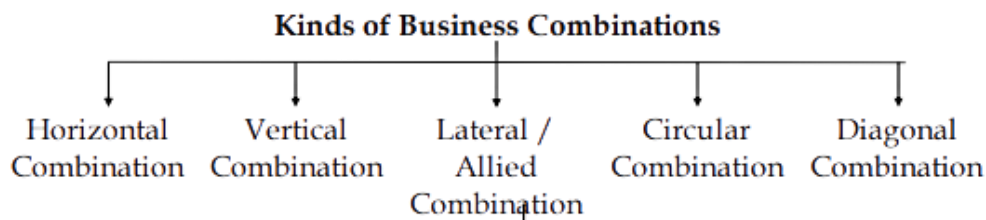
- **Partial Consolidations:**

- ❖ **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 holding company is a type of commercial organization that combines industrial units by owning the majority of their shares. Controlled companies are referred to as subsidiaries. Under their names, the subsidiaries run on their own. But they are essentially managed by the parent firm.
- ❖ **Company of Interest:** A company of interest is a commercial organization where a number of common directors or stockholders oversee the business plans of multiple companies without the need for a formal central administration. Therefore, different businesses can be run using managerial integration, administrative integration, or financial integration.

- **Complete Consolidation:**

- ❖ Merger: Where organisations merge, and new administration takes over their operations, a merger has occurred.
- ❖ Acquisition: The process of acquiring a company at the acquire price or gaining finest is referred to as an acquisition.
- ❖ merger: 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**

1. **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

2. **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

3. **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.

- 4. 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.
- 5. 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, company units involved in a given trade typically meet to discuss issues that will advance their economic and commercial interests.
- ❖ 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 group that shares a sales agency.
- ❖ Acquiring a company at the purchase price or acquisition premium is called an acquisition.

## 8.6 Keywords

1. **National Stock Exchange (NSE):** The leading stock exchange in India was established on November 27, 1992, and provides a platform for companies to list and trade their securities.
2. **Companies Act 1956:** A law in India governs the incorporation, functioning, and regulations of companies in the country.
3. **Security Contract (Regulation) Act:** A legislation in India that authorises establishing and regulating security contracts, including stock exchanges.
4. **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.
5. **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. What are the different types of business combinations?
9. Explain the five types 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**

1. Know the concept of Business Combination
2. Understand the reasons for its emergence
3. Know the basic characteristics
4. Analyse some examples

#### **Structure**

- 9.1 Introduction
- 9.2 Combination Movement in India
- 9.3 Combination Movement in India- Present
- 9.4 Summary
- 9.5 Keywords
- 9.6 Self-Assessment Questions
- 9.7 Case Study
- 9.8 References

## **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 take advantage of the lower costs associated with large-scale production. 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 services of knowledgeable and seasoned managers. Consequently, small industrial units 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. **Uniform Policy:** All units adopt the same policy 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 Face Crises:** In the era of inflation and deflation, it is exceedingly difficult for small industrial units to face crises. Therefore, the small units 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**

1. Increase in Capital - Creating a combination may increase the amount of capital.
2. To undertake big commerce, the participants pool their resources.
3. Elimination of Competition - By creating a combination, member companies generate monopolistic profit and eliminate unwanted competition.
4. Savings in Expenses—Due to the combination, administrative production and distribution costs are decreased.
5. Production Controls – The combination is highly successful in reducing overproduction. It is beneficial to change the supply to match the demand.
6. Large-scale marketing - The rival has a strong negotiating position in the marketplace. As a result, it charges a more excellent price for the goods.
7. Expert Services - A combination may hire the assistance of seasoned professionals. It boosts the effectiveness of the pairing.
8. Research Work-A combination may invest funds in this crucial for the business activity. This study project lowers its cost and raises its revenue.

9. Use of Modern Technology—Due to a technology transfer, a combination can use the most recent inventions and innovative production techniques. Profit will rise as a result.
10. Stability – A combination is a more stable business structure compared to independent business divisions.
11. There are also fewer odds of dissolution than in other cases.
12. Division of Labour - The division of labour principle is used in combination, which improves the combination's production efficiency.

### **Disadvantages**

1. Monopoly is Created- In the long run, it creates a monopoly that is detrimental to the public.
2. The concentration of wealth- It separates society into a small number of classes, such as the wealthy, middle class, and impoverished.
3. Reluctant to be Accepted – The combination is unpopular and unaccepted by the public.
4. Changes in Friction-There is a good likelihood that directors and officers will clash. They fight among themselves out of self-interest.
5. No Personal Contact - Because this business could experience a loss, keeping personal contact with shareholders, creditors, and employees is impossible.
6. Expensive Management – A combination employs expensive management, raising the cost of manufacturing.
7. Over-Capitalization- In any combination, there is a constant risk of over-capitalization. It is detrimental to the mixture.
8. Misuse of Funds – The company's directors abuse the capital while having available power.
9. National Interest Ignored—Combinations generally disregard the national interest and engage in contrary actions.

### **9.2 Combination Movement in India**

The combination movement 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 Industrial Progress:** Combination is a logical byproduct of a highly developed industrial development. 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 combination movement in India. They hesitated to join any group because they thought it might undermine their independence.
6. **Government Policy:** The government has always 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 Combination Movement in India- Present**

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

1. Industry-wise Combination
2. Form-wise Combination

## **1. Industry-wise Combination**

In several of the Indian businesses listed below, a few horizontal combinations in the form of pools and cartels have developed:

### **a. 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.

### **b. 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.

### **c. 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.

### **d. 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.

### **e. Industry of Iron and Steel**

Under the direction of the Government, the Steel Corporation of Bengal was formally 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 holding company to manage the public sector steel 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 Indigo factory made the first attempt in this direction. 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 only 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 critical associations formed after this period were

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 joined them.

The Bengal Chamber of Commerce was founded 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 was 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, there 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 pools and cartels 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 breweries and confectioneries in addition to producing sugar.

### **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, and British Managing Agency Houses like Andrew Yule, Martin Burn, and Duncan Bros. 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 country 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 exceedingly difficult for small industrial units to face crises. 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.
- ❖ Authority of India was established in 1973 as a holding company to manage the public sector steel mills.
- ❖ The Bengal Chamber of Commerce was founded in 1834 and was the first chamber of commerce created by Europeans.

## 9.5 Keywords

1. **Business Combination:** It is a voluntary combination to further a common goal and get monopoly advantages.
2. **Economic welfare:** It refers to the general well-being and financial security of all alliance members.
3. **Small units:** Refers to compact industrial organisations that experience difficulties during recessions.
4. **Non-Discriminatory Protection:** Equal treatment and safeguards against unfair competition, especially from foreign firms, are two examples of non-discriminatory protection.
5. **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.



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1. L. Balaji, S. Reddy Sowmya. ROLE OF DISTRICT INDUSTRIAL CENTRES IN ENTREPRENEURSHIP DEVELOPMENT, 2017.
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## **Unit: 10**

### **Advertisement and Publicity**

#### **Learning Objectives**

1. Understand the concept of advertising
2. Learn its features
3. Understand how publicity works
4. 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.

Advertising is one of the most important components of marketing communications. It is a powerful, visible communication tool that helps sell concepts, products, services, and other items. Advertising reflects the current needs. Whether one likes them or not, advertisements are present everywhere. Advertisements can be found in newspapers, magazines, radio, television, the internet, and other media. The average consumer, particularly those living in metropolitan and semi-urban areas, is subjected to an incredible amount of advertising on a daily basis.

### 10.1.1 Features of Advertisement

1. **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.
2. **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 mass media, such as newspapers, magazines, radio, television, hoardings, direct mail, etc., to reach many people with the advertising message.
3. **Ideas, Goods, and Services:** This characteristic implies that messages could pertain to tangibles, such as toothpaste, soaps, detergents, music systems, color televisions, etc., or intangibles, such as banking, insurance, travel, consulting, hotels, etc., or ideas, such as recommendations made by automakers to increase the fuel efficiency of their vehicles. This speaks to the idea that the commercial is trying to promote.
4. **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 brand name and the firm name in their advertisements, as opposed to other products like Lux, Pears, etc., which only have the brand name.

## 10.2 Types of Advertisements

Some of the kinds of advertising mediums are mentioned below.

1. **Print Advertising** - Print media has long been used for advertising. Newspaper and magazine advertising is a popular practice in many nations. Businesses can use print media such as brochures and flyers to promote their products. Advertising space is sold by newspapers and magazines, and the cost is determined by a number of factors. The cost of the advertisement, the publication's page, and the kind of paper are all determined by the available space. Ads on the top page would therefore be more expensive than those on the internal pages. In the same way that an advertisement in the daily's glossy supplement would cost more than one in a lower-quality issue.
2. **Televise 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 instance, prime-time advertisements would cost more than standard ones.
3. **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. Planning events like trade shows and exhibits to promote the good or service is also advertising for it. Consequently, outdoor advertising is a powerful marketing strategy.
4. **Covert Advertising-** In this unusual advertising, a product or message is carefully included in a film or television programme. The product is only mentioned in the movie; no genuine advertisement exists. For instance, in the film *Minority Report*, Tom Cruise utilised a Nokia phone.
5. **Public Service Advertising-** • This kind of advertising supports causes in general, as the name suggests. Increased public awareness is needed on a number of important topics, such as AIDS, political integrity, energy conservation, illiteracy, poverty, and others. This type of advertising has grown in significance recently and is an effective means of spreading messages.

### **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.

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 advertises not only the brand but also the dedication to the brand.

The proliferation of mobile 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:

## 1. 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.

## 2. 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

1. **Non-personal mass media:** Like advertising, publicity communicates with many people simultaneously (hence, non-personal) through newspapers, magazines, radio, TV, etc.
2. **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 better credibility (believability) since it typically takes the form of news stories or articles from the media rather than the advertiser.
3. **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.
4. **Not Paid for:** A sponsor does not pay for PR since he does not specify it and does not receive the content. This represents the third feature that distinguishes publicity from advertising.
5. **Purpose :** Sometimes, product publicity increases demand.

### 10.3 Summary

- ❖ Advertising captures the demands of the moment.
- ❖ Advertising 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.
- ❖ HotWired 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

1. **Advertising:** Advertising impersonalises goods, services, or concepts to a large audience.
2. **Mass Audience:** A big group of people exposed to advertising messages, particularly in urban and suburban areas.
3. **Online advertising:** It is the practice of promoting goods, services, or concepts online through various media with a highly targeted audience in mind.
4. **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.
5. **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?

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## **Unit: 11**

### **Advertising**

#### **Learning Objectives**

1. Understand the objectives of Advertisements
2. Learn the significance of Advertisements
3. 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

## 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**

### **1. Enhances sales**

Increasing the number of people who buy your products is the main goal of advertising. You can accomplish this by using advertising to convince customers that your product is superior, useful, or appealing. A persuasive advertisement has the power to persuade people to purchase your products, which could greatly boost your overall sales.

### **2. Informs clients**

Make a commercial to inform prospective customers about your products and any features or advantages they may offer. You can quickly add important information about a product, like its function, price, availability, and any unique features. You can use advertising to tell your audience about special offers for new customers, deals, or important occasions.

### **3. Aids in product introduction**

To let your customers know about the new products or services your company is offering, you can promote. This gives you the chance to show off the new product to a large audience and spark excitement about its debut. If you tell more people about the release of your items, you can see an increase in the number of people who want to buy them.

### **4. Teaches about rivals**

Using ads to keep an eye on competitors and find out about any changes they make is essential. It might run advertisements alerting consumers when a rival launches a new good or service. This offers an opportunity to develop your own product or to make a distinctive commercial highlighting the advantages of an existing solution to the same difficulties.

### **5. Retains customers**

Advertising makes your brand more memorable to consumers and encourages them to buy your products. A consumer who has used your product in the past may be reminded of their positive experience if it is publicized. This might persuade them to buy the products again or try some of your other products.

## **6. Improves staff morale**

If an advertisement is effective, colleagues who see or hear about it might feel happier. It could be easier to expose a customer to new products or services if they are already familiar with them.

## **7. Distinguishes your brand**

Since multiple businesses produce the majority of goods and services for consumers, your company may need to come up with unique tactics to differentiate itself from competitors. Employing branding elements such as fonts, color schemes, logos, and taglines can help you establish your company's identity and differentiate it from rivals. If customers like or are familiar with your brand's design, they are more inclined to purchase your product.

## **8. Increases client faith**

Advertisements have the power to increase customer familiarity and faith in a company. If potential customers see your goods advertised frequently, they may think of you as a reputable brand. Advertising can also be used to address problems and boost customer confidence in your company.

## **9. Reaches the intended audience**

Using ads, you can easily identify or market to a certain target audience. You can try placing an advertisement where your target market goes after doing market research to see if it appeals to them. You can create distinct advertisements for each of your two target audiences if you wish to advertise to them in various locations.

## **10. Details the company's values**

Customers can relate to an IA company's strong and obvious beliefs, which helps promote brand loyalty. Through advertising, a broad audience can learn about the distinctive qualities or guiding principles of your business, thereby convincing them to try your products. Having distinct corporate values can build a brand's identity and boost customer trust.

## **11.2.1 Other importance of advertising**

### **1. 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.

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.

The community as a whole gains the following. Benefits:

- i) Advertising encourages mass production, which increases job prospects. It guarantees advertising professionals job opportunities, i.e., writers, painters, etc.
- ii) 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.

## 2. Middlemen

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

- i) Since consumers know the product, selling it is simpler for them and its calibre via marketing.
- ii) wholesalers and retailers share the brand reputation for a product developed through advertising.
- iii) 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:

1. **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.
2. **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.
3. **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.
4. **Media influence from advertising:** Since advertisers are a vital funding source for the media, the latter are likely to impact the latter. 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.



5. **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:

1. **Advertising is ineffective:** Advertising does not result in the production of any material commodities.
2. **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.
3. **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.
- ❖ 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**

### **Current Trends in Advertising**

#### **Learning Objectives**

1. Learn about the current trends in Advertising
2. Know about its efficiency
3. 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 Self-Assessment Questions
- 12.8 Case Study
- 12.9 References

## **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-

### **1. 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.

### **2. Mobile Advertising**

As smartphone 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.

### **3. 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.

### **4. 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.

### **5. Influencer Marketing**

In the world of social media, influencer marketing has become a potent weapon for advertising. Influencers work with brands to market goods and services because they 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.

### **6. 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.

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. Brands and marketers use flexible digital advertising strategies to reach their target demographic. The Indian advertising industry is expanding at an unprecedented rate, and digital advertising is flourishing.

#### **12.3.1 Disadvantages of Digital/Modern Advertising**

Since customers spend a lot of time shopping online for everything from groceries and clothes to gadgets and cleaning products, many firms include internet advertising in their marketing strategies. Online advertising provides a number of benefits, like the ability to measure results and reach a large market, but it also has some serious disadvantages.

##### **1. Consumers Disregard Ads**

Because they are so used to seeing and hearing advertisements on television, radio, and in magazines, consumers have come to despise all types of advertising. This also applies to online advertising, where consumers have the option to ignore pop-up advertisements on their displays, skip commercials when watching online movies, and refuse to click banner ads. Customers select the adverts that they want to respond to and click on.

##### **2. Technical Issues with Viewing**

Due to browser problems, website outages, and delays in loading videos or websites, consumers may see online advertisements less frequently and efficiently. When technical issues prohibit businesses from airing advertisements for their products and services, they



risk losing out on possible 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.

### 3. Ad Prices

Online ads can be bought for thousands of dollars on renowned websites like the New York Times, or as little as \$20 per month on neighborhood parenting blogs. The amount of traffic and readership that a website or blog receives determines the cost of banner, text, and video advertisements. Online advertising via pay-per-click campaigns and social media platforms can also have a significant negative influence on a business's marketing budget, perhaps yielding a minimal or nonexistent return on investment.

### 4. Buyers Become Distracted

When users visit a website, they frequently have a certain goal in mind, such as shopping for a specific product, downloading music, reading the news, or chatting with friends. Consumers have access to a variety of internet options, which may quickly draw their attention away from your online advertisements.

### 5. Too many choices

Businesses can post advertisements on a wide variety of websites on the Internet. This may seem too much, especially for small business owners. Because there are so many possibilities, choosing the websites that would attract the most potential customers and sales may be difficult.

After choosing a website, a business is given several options for promoting its goods or services, including banner ads, video marketing, and sponsored posts. Which sort of advertisement gets the best response from target markets must be determined by businesses.

## **12.4 Current Tools of Publicity**

Publicity aims to boost an entity's credibility or 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:

1. It might concentrate on specifics for an occasion, a declaration regarding a new product, or a significant change in the company's management.
2. A publicity stunt is a manufactured event that publicists create to gain genuine, favourable media coverage. As an illustration, you could set up and video customer interviews with potential clients using your product in a public place.
3. Public speaking: Offering to speak about a business or brand in front of an audience might result in fruitful contact with the general public. For instance, offer to participate as a guest on a podcast or radio show to discuss your business and its advantages.

### **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.
- ❖ After choosing a website, a business is given several options for promoting its goods or services, including banner ads, video marketing, and sponsored posts.

## 12.6 Keywords

1. **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.
2. **Digital advertising:** This term describes how companies use online and social media platforms to advertise their goods and services to specific markets.
3. **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.
4. **Influencer marketing:** It is a type of advertising where companies work with well-known people on social media to advertise their goods or services in various ways, such as sponsored posts, product reviews, or brand partnerships.
5. **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. How are brands leveraging augmented reality (AR) and virtual reality (VR) technologies to enhance their advertising and publicity initiatives?
6. What ethical considerations are associated with targeted advertising and data privacy in the digital age?
7. How are brands adapting their advertising strategies to cater to the growing popularity of voice search and smart home devices?
8. What impact does native advertising have on consumer perception and engagement with branded content?

9. How do brands use data analytics and artificial intelligence (AI) to optimise advertising and publicity campaigns?
10. 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?

### **12.9 References**

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## **Unit: 13**

### **Welfare State**

#### **Learning Objectives**

1. Understand the concept of the welfare state
2. Know its characteristics
3. Learn its functions
4. 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 Self-Assessment Questions
- 13.9 Case Study
- 13.10 References

### **13.1 Concept**

The establishment of welfare states in democratic countries was a significant development of the 20th century. The government is responsible for a wide range of tasks in a welfare state. In the modern period, government functions and operations have expanded beyond recognition. The idea of a state was essentially that of a "police state," in which the creation of security and safety for the general public, along with the fulfilment of sovereign duties, were considered as the main duties of all governments. But democracy changed the structure and purposes of government. The concept of "welfare states" has altered how we currently define democracy.

A welfare state is a form of government in which the state protects and promotes the economic and social well-being of its citizens, based on the ideas of equal opportunity, equitable wealth distribution, and public responsibility for citizens who lack access to the basic necessities for a good life. Public-private partnerships play a role in all welfare regimes, with private organizations managing and executing at least some social programs.

There are several 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 features of Welfare State**

1. Social security is ensured by a welfare state. While there are unique components of a welfare state economy, some aspects are more characteristic of a mixed economy. The government is in charge of controlling economic activity and guaranteeing the general welfare of the public, even in civilizations that incorporate aspects of socialism and capitalism.
2. By definition, a welfare state is socialist. It is based on equality and aims to provide equal opportunity for everybody. It also aims to ensure an equitable distribution of wealth.
3. It oversees every aspect of the economy. Under a welfare state, all private enterprises are governed by the government.
4. It provides even the most basic amenities to its people. Its duty is to render services to each and every person.

### **13.3 Objectives of a Welfare State**

1. To give people financial security: The welfare state's primary goal is financial stability. In a welfare state, an individual's basic needs—food, clothing, and shelter—are 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.
2. 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.
3. 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.
4. To promote public welfare: The main goal 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**

#### **1. Maintenance of Peace and Order**

Maintaining social harmony and protecting people's safety are the duties of the welfare state. It successfully fends off threats and attacks from the outside world. It upholds the rule of law and promotes political stability. As a result, people's ongoing tension and worry are decreased.

#### **2. Preserves Rights**

Unalienable fundamental rights are granted to citizens of welfare states. It protects the rights to life, liberty, and happiness as well as equality, property rights, and freedom of expression and association. It ensures that all people receive fair treatment regardless of their location, class, color, creed, caste, or religion.

#### **3. Preservation of Organic Matter**

Against competing commercial interests, the welfare state works to protect its natural resources for the good of the community. It stops the waste.

### **13.5 Criticism**

- 1. Fraud risk:** There's a chance that the wealthy will take advantage of the aid program rather than helping people in need. As such, fraud poses a continuous risk to welfare programs.
- 2. Create dependency:** Assisting the jobless with financial support enables the development of a reliance on the state, which may result in a decrease in the number of motivated employees as well as a deterioration in their knowledge and abilities.
- 3. A lot of social programs ignore the root causes of poverty.** Since not all welfare states have strong economies, there won't be a long-term solution to the issue unless the welfare state addresses those concerns head-on.
- 4. It could not be able to sustain long-term support:** Because to insufficient funding, multiple

### **13.6 Summary**

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



- ❖ A welfare state ensures social security.
- ❖ The government governs all private businesses under a welfare state.
- ❖ The welfare state's primary goal is financial stability. In a welfare state, an individual's basic needs—food, clothing, and shelter—are met.
- ❖ The welfare state's other goal is to promote social equality.
- ❖ The main goal of a welfare state is to promote public welfare, so it offers each individual the chance to develop on all fronts.
- ❖ It prevents the waste of the community's resources, including its forests, fisheries, wildlife, minerals, and works of art.
- ❖ The welfare state develops several significant enterprises to promote industrial growth and prevent exploitation.

### 13.7 Keywords

1. **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.
2. **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.
3. **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.
4. **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.
5. **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 Self-Assessment 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. Sweden's welfare state is created to offer its residents a wide range of benefits and services, including universal healthcare, free education, extensive parental leave, and unemployment benefits. Sweden has a solid social democratic legacy. 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**

1. Know the government-led schemes
2. Understand their significance
3. 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 Summary
- 14.6 Keywords
- 14.7 Self-Assessment Questions
- 14.8 Case Study
- 14.9 References

## **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 form of financing in the form of loans, training in the form of 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:

## **1. Institutional Support**

### **a. 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.

### **b. 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 socially and economically disadvantaged individuals and groups 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.

### **c. National Small Industries Corporation (NSIC)**

The government established NSIC in 1995 to promote and 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.

### **d. Small Industries Development Bank of India (SIDBI)**

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.

**e. 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.

**f. 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.

**g. 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.

**h. Scheme of Funds for Regeneration of Traditional 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, including land, power, water, sales tax, octroi, raw materials, financing, industrial estates, and tax holidays.

### **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**

#### **1. 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 Goods and Services Tax, a lower corporate tax, better business conditions, adjustments to the FDI policy, measures to make compliance easier, public procurement orders supporting domestic manufacturing policies, and the Phased Manufacturing Programme (PMP).



## **2. Make in India**

With the "Make in India" project, unveiled on September 25, 2014, India will become a hub for manufacturing, design, and innovation. It also 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 states, districts, cities, or regions but across the entire country, is the "Make in India" concept being implemented.

## **3. 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 Plug and Play Infrastructure at the plot level and Greenfield Industrial Regions, Areas, and Nodes with sustainable infrastructure. The National Industrial Corridor Programme is developing eleven industrial corridors in four stages.

## **4. Ease of Doing Business**

By streamlining, rationalising, digitising, and decriminalising government-to-business and citizen interfaces across all Ministries, States, and UTs, the aim is to improve both the ease of doing business and the ease of living. The initiative's main areas of concentration include rationalising legislative requirements, simplifying processes, digitising administrative operations, and decriminalising minor, technical, or procedural errors.

## **5. National Single Window System**

The National Single Window System (NSWS) was launched with the Budget 2020–21 to provide "end-to-end" facilitation and support to investors, including pre–investment advisory, information about land banks, and facilitating clearances at the Centre and State level. On September 22, 2021, the honourable commerce and industry minister soft-launched the National Single Window System (NSWS), created as a one-stop shop for investor-related approvals and services in the country. It is now possible to access the permissions of these States and UTs for applications submitted through NSWS, thanks to the extensive network of Single Window Systems for States and UTs linked to the NSWS Portal.

## **6. PM Gati Shakti National Master plan**

In October 2021, the public had access to the PM Gati Shakti National Master Plan (NMP), a GIS-based platform with portals for numerous government Ministries and Departments.

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, respectively. The NMP has received almost 2,000 data layers from numerous federal ministries, state government agencies, and other sources.

### **7. National Logistics Policy**

The National Logistics Policy (NLP), unveiled by the Indian government on September 17th, 2022, aims to align the country's logistics costs with those of other developed nations. Establishing a comprehensive interdisciplinary, cross-sectoral, and multijurisdictional framework for expanding the logistics 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.

### **8. Production Linked Incentive Scheme**

With an investment of Rs. 1.97 lakh crore, Production Linked Incentive (PLI) Schemes for 14 important sectors have been announced to improve India's manufacturing capacity and exports. These programmes were introduced to help India achieve its "Atmanirbhar" aspiration. These plans have the potential to result in significant employment opportunities, high production, economic growth, and exports over the next five years and beyond.

### **9. North-East Industrial and Investment Promotion Policy**

The North East Industrial and Investment Promotion Policy (NEIIPP), 2007, was established to encourage the area's industrialisation. It was notified for a ten-year term starting on April 1, 2007, and ending on March 31, 2017. The registered eligible units will continue to receive benefits. The NEI Schemes disbursed money or subsidies totalling Rs. 963.53 crores over the past three years.

### **10. 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 rural areas by offering assistance and support in the form of financing in the form of loans, training in the form of programmes, infrastructure, 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.
- ❖ Working on behalf of socially and economically disadvantaged individuals and groups is the primary goal of RSBDC.
- ❖ 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. This plan aims to develop Plug and Play Infrastructure at the plot level and Greenfield Industrial Regions, Areas, and Nodes with sustainable infrastructure.
- ❖ By streamlining, rationalising, digitising, and decriminalising government-to-business and citizen interfaces across all Ministries, States, and UTs, the aim is to improve both the ease of doing business and the ease of living.
- ❖ The North East Industrial and Investment Promotion Policy (NEIIPP), 2007, was established to encourage the area's industrialisation.

## 14.6 Keywords

1. **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.

2. **Cottage industry:** The focus is on small-scale companies and industries in rural areas, frequently involving regionalised production and traditional crafts.
3. **NABARD:** A government organisation created to encourage rural development and help rural companies and agriculture with funding, infrastructure, and training.
4. **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 socially and economically disadvantaged persons and groups.
5. **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" (UnnatJyoti 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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3. Sundar. "Government Schemes and Initiatives to Boost Manufacturing Sector in India."

## **Unit: 15**

### **Industrial Policy & Democracy**

#### **Learning Objectives**

1. Understand Industrial Policy
2. Know its characteristics & objectives
3. Know about the policies
4. 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 Self-Assessment Questions
- 15.9 Case Study
- 15.10 References

## **15.1 Introduction**

A nation's official strategic endeavour to promote the expansion and growth of the economy's manufacturing sector is called its Industrial Policy Plan, or IP for short. The federal government takes action "to increase the competitiveness" and capacity to foster structural change and homegrown enterprises. A significant portion of the industrial sector, which typically plays a crucial role in IP, is a nation's infrastructure (the transportation, telecommunications, and energy industries).

In contrast to more general macroeconomic policies, industrial policies are sector-specific. Contrary to laissez-faire economics, they are frequently referred to as interventionists. Restricting credit or taxing capital gains are examples of horizontal, economy-wide policies, whereas defending textiles from imports or supporting export-oriented sectors are examples of vertical, sector-specific policies.

Several industrial policy types share components with other forms of interventionist behaviour, such as trade and fiscal policy. Import-substitution-industrialization (ISI), which temporarily imposes trade obstacles on critical industries, illustrates a typical industrial approach. Specific initiatives are given time to learn (by doing) and upgrade by being provided selective protection.

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**

1. To continue productivity's steady development.
2. To increase the number of available jobs.
3. Improve the way you use the people you have available.
4. To use a variety of methods to speed up the nation's development
5. 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**

Emphasis was placed on a mixed economic model, and the State's role in industrial growth was regarded as one of both entrepreneurship and authority.

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 involvement, developing a robust cooperative 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.

It pushed for reduced labour unrest and encouraged worker involvement in management, from the shop floor to the board.

### **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**

Liberalisation 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 from the business sector was that it discouraged major industrial companies from making lump-sum 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.

The main goal of liberalisation was to remove bureaucratic restrictions from the vast private company sector. As a result, it did away with industrial licensing for all projects save for a group of 18 industries.

#### **a. 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

#### **b. 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. The company's stock is no longer sold on the stock exchange, and the general public cannot own such business shares. The business stops using the suffix "limited" and switches to "private limited" as its last name.

#### **A. Vital elements of privatisation:**

1. **Ownership Measures:** Private owners eventually come to own all public businesses. Denationalisation may be wholly or partially accomplished.
2. **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.
3. **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:

1. The policy entirely abandons the Nehru model of socialism. It will result in international corporations dominating the Indian economy.
2. 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.
3. Monopolies and the concentration of economic power in a small number of individuals are likely to grow. There are no relevant export policy guidelines.
4. The slow pace of investment in a few fundamental and strategic industries, such as engineering, power, machine tools, etc., is causing distortions in the industrial pattern.
5. The connections between the new and old sectors need to be strengthened.
6. There are no incentives to increase productivity and adopt new technologies.
7. 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:

1. **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.
2. **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.
3. **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.
4. **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.
5. **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

- ❖ A nation's official strategic endeavour to promote the expansion and 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.
- ❖ The Industrial Policy Statement of 1977 strongly emphasised the effective promotion of cottage and small businesses in rural and small-town settings.
- ❖ The 1980 Industrial Policy promoted economic federation, increased public sector efficiency, and reversed the three-year trend in industrial production.
- ❖ The main goal of liberalisation was to remove bureaucratic restrictions from the vast private company sector.
- ❖ 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

1. **Industrial Policy:** A country's official strategic effort to support the development and growth of its manufacturing sector is known as industrial policy. It includes how the government views industries, including how they are established, run, expanded, and managed.
2. **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.
3. **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.
4. **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.
5. **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**

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

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