UNIT I

Business Environment

- *Meaning and Elements of Business Environment*
- *Economic Environment*
- *Economic Policies*
- *Economic Planning*
- *Legal Environment of Business in India*
- *Competition Policy*
- *Consumer Protection*
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- *Policy Environment: Liberlization, Privatisation and Globalisation, Second Generation Reforms, Industrial Policy and Implementation, Industrial Growth and Structural Changes.*

MEANING AND ELEMENTS OF BUSINESS ENVIRONMENT

Environment includes various factors such as socio-economic, technological, supplier, competitors and Government. So the business is affected by two sets of factors, the internal environment and external environment.

Any organisation has certain mission, objectives and goals and a strategy to achieve them. Formulation of strategy is defined as establishing a proper firm-environment.

According to Andrews, Business Environment may be defined as, "the pattern of all external influences that affect its life and development".

"*The environment of business consist of all those external thing to which it is exposed and by which it may be influenced, directly or indirectly*"-Reinecks and Schoell, Introduction to Business.

Business Environment consist of all those factors that have a bearing on the business. Business environment are

(i) Internal Environment

(ii) External Environment divided into two parts:

(a) Micro environment

(b) Macro environment

INTRODUCTION TO BUSINESS ENVIRONMENT

The formula for business success requires two elements-the individual and the environment. Remove either value and success becomes impossible. Business environment consist of all those factors that have a bearing on the business. The term business environment implies those external forces, factors and institutions that are beyond the control of individual business organisations and their management and affect the business enterprise. It implies all external forces within which a business enterprise operates. Business environment influence the functioning of the business system. Thus, business environment may be defined as all those conditions and forces which are external to the business and are beyond the individual business unit, but it operates within it. These forces are customer, creditors, competitors, Government, socio-cultural organisations, political parties national and international organisations etc. some of those forces affect the business directly which some others have indirect effect on the business.

FEATURES OF BUSINESS ENVIRONMENT

(a) Totality of external forces: Business environment is the sum total of all things external to business firms and, as such, is aggregative in nature.

(b) Specific and general forces: Business environment includes both specific and general forces. Specific forces affect individual enterprises directly and immediately in their day-to-day working. General forces have impact on all business enterprises and thus may affect an individual firm only indirectly.

(c) Dynamic nature: Business environment is dynamic in that it keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competition in the market

(d) Uncertainty: Business environment is largely uncertain as it is very difficult to predict future happenings, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.

(e) Relativity: Business environment is a relative concept since it differs from country to country and even region to region. Political conditions in the USA, for instance, differ from those in China or Pakistan. Similarly, demand for sarees may be fairly high in India whereas it may be almost non-existent in France.

Features of business environment can be summarised as follows.

(a) Business environment is the sum total of all factors external to the business firm and that greatly influences their functioning.

(b) It covers factors and forces like customers, competitors, suppliers, government, and the social, cultural, political, technological and legal conditions.

(c) The business environment is dynamic in nature that means, it keeps on changing.

(d) The changes in business environment are unpredictable. It is very difficult to predict the exact nature of future happenings and the changes in economic and social environment. .

(e) Business Environment differs from place to place, region to region and country to country. Political conditions in India differ from those in Pakistan. Taste and values cherished by people in India and China vary considerably.

IMPORTANCE OF BUSINESS ENVIRONMENT

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. As stated above, the business environment is multifaceted, complex, and dynamic in nature and has a far-reaching impact on the survival and growth of the business. To be more specific, proper understanding of the social, political, legal and economic environment helps the business in the following ways:

(a) Determining opportunities and threats: The interaction between the business and its environment would identify opportunities for and threats to the business. It helps the business enterprises for meeting the challenges successfully.

(b) Giving direction for growth: The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.

(c) Continuous Learning: Environmental analysis makes the task of managers easier in dealing with business challenges. The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in realm of business.

(d) Image Building: Environmental understanding helps the business organisations in improving their image by showing their sensitivity to the environment within which they are working. For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPP) in their factories to meet their own requirement of power.

(e) Meeting Competition: It helps the firms to analyse the competitors' strategies and formulate their own strategies accordingly.

(f) Identifying Firm's Strength and Weakness: Business environment helps to identify the individual strengths and weaknesses in view of the technological and global developments.

INTERNAL ENVIRONMENT

The Internal Environment refers to all the factors within an organisation. The factors are

(a) Values of promoter and shareholders: The value system of the promoters and shareholders are important in selecting the business, mission, objectives of the organisation, business policies and practices. The value system and ethical standards are also among the factors evaluated by many companies in the selection of suppliers, distributors, etc.

(b) Mission and objectives: The Company's priorities, direction of development, business philosophy, business policy are guided by the mission and objectives of the company. Every activity is undertaken keeping in view the goals to be achieved.

(c) Management structure and nature: The organisational structure, the composition of the Board of Directors, extent of professionalisation of management, are the important factors influencing business decisions. Board of Directors being the highest

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decision making body which sets the direction for the development of the organisation and which overseas the performance of the organisation, the quality of the Board is a very critical factor for the development and performance of company.

(d) Internal power relationship: The relationship between the members of Board of Directors and between the chief executive and the Board are also a critical factors.

(e) Human resources: Human Resources characteristics like skill, quality, morale, commitment, attitude, etc could contribute to the strength and weakness of an organistion. Human Resources are considered to be an important asset of an organisation.

(f) Company image and brand equity: The image of the company matters while raising finance, forming joint ventures or other alliances, soliciting marketing intermediaries, entering purchase or sale contracts, launching new products, etc.

(g) Physical Assets and facilities: Physical assets and facilities like the production capacity, technology and efficiency of the productive appartus, distribution logistics, etc. are among the factors which influence the competitiveness of a firm.

(h) R & D and Technological capabilities: These capabilities judge a company's ability to innovate and compete in the market.

(i) Marketing resources: Marketing efficiency of a business depends upon the quality of the marketing men, brand equity and distribution network.

(j) Financial factors: The financial policies, financial position and capital structure are also important internal environment affecting business performances, strategies and decisions.

EXTERNAL ENVIRONMENT

The External environment of a business consists of a micro environment and a macro environment.

MICRO ENVIRONMENT

It refers to those factors that affects the performance of the company.

(a) Suppliers: Suppliers are those who supply the inputs like raw materials and components to the company. The importance of reliable source / sources of supply to the smooth functioning of the business is obvious.

It is very risky to depend on a single supplier because a strike, lock out or any other production problem with that supplier may seriously affect the company. Similarly, a change in the attitude or behaviour of the supplies may also affect the company. Hence, multiple source of supply help to reduce such risks.

(b) Customers: The creation and sustainity of a customers is the major task of a business. A business exists only because of its customers. Consumers of a company have different categories like individuals, households, industries and other commercial establishments and government and other institution.

Depending on a single customer is often too risky because it may place the company in a poor bargaining position apart from the risks of losing business consequent to the winding up of business by the customer. The choice of the customer segments should be made by considering a number of factors including the relative profitability, dependability stability of demand, growth prospects and the extent of competition.

(c) Competitors: A firms competitors include not only the other firms which market the same or similar products but also all those who compete for the discretionary incomes of the consumers. This competition among these products may be described as desire competition, generic competition, form competition.

(d) Marketing intermediaries: The immediate environment of a company may consist of a number of marketing intermediaries which are “firms that aid the company in promoting, selling and distributing its goods to final buyers”.

The marketing intermediaries includes middlemen such as agents and merchants who “help the company find customers or close sales with them”.

(e) Financiers: Financing capabilities, their policies and strategies, attitudes, ability to provide non-financial assistant are very important.

(f) Public: A public is any group that has an actual or potential interest in or impact on an organisation’s ability to achieve its interests". Growth of consumer public is an important development affecting business.

MACRO ENVIRONMENT

This is also known as General Environment and Remote Environment . A company along with its macro environment operates in a larger macro environment. It is generally, uncontrollable:

(a) Economic factors: The economic factors includes the structure and nature of the economy, the stage of development of the economy, the level of income, the distribution of income, economic resources, economic policies, etc.

(b) Social/cultural factors: These are the religious aspects, language, customs, traditions and beliefs, tastes and preferences, buying and consumption habits, social satisfaction, etc.

(c) Demographic factors: Demographic factors such as sex of the population, age composition, population growth rates, ethic composition, density of population, family size, nature of the family, income levels, rural-urban distribution, etc, leave a very significant impact on the business.

(d) Political/government factors: The political factors are characteristics and policies of the political parties, nature of constitution and Government system. The Government factors are the economic and business policies and regulations.

(e) Natural factors: It refers to the geographical and ecological factors, such as weather and climatic conditions, natural resource endowments, location aspects, port facilities, etc.

(f) Technological factors: It includes not only knowledge or methods that are necessary to carry on or to improve the existing production and distribution of goods and services, but also entrepreneurial expertise and professional know-how.

(g) Global factors: The global factors are WTO principles and agreements, economic and business conditions in other countries, international conventions, treaties, agreements, etc. A domestic business is affected by these global factors.

(h) Legal factors: There are certain rules and regulations, laws and court decision in every country. These are legal factors which provide direction and control the business activities.

ELEMENTS OF MACRO ENVIRONMENT (GENERAL OR REMOTE)

Business and environment are mutually dependent on each other. It is never ending process of interaction.

ELEMENTS OF BUSINESS ENVIRONMENT

POLITICAL ENVIRONMENT

The political environment can be one of the less predictable elements in a business. Any business needs to monitor the changing political environment because political change can profoundly affect an organization. Political stability can be key for market stability. The political system prevailing in a country decides, promotes, fosters, encourages, shelters, directs and controls the business activity of that country. The most developed countries today, owed their success to the prevailing political situation in their country.

Any political environment of a country can be either blessing for some business or course for other business. In other sense, it provides opportunity to some business and threats to others. A businessman has to adjust his business to the prevailing political environment as he is left with no choice.

CHARACTERISTICS OF POLITICAL ENVIRONMENT

- The first and foremost affecting environment to the business.
- The impact may be positive or negative.
- May be favourable to some business and unfavourable to other business.
- Close relationship with economic environment.
- Changing political environment always brings changes in the business.

THE ECONOMIC ENVIRONMENT

Next to the Political environment is the economic environment, which affects business. The economic environment refers to all those economic factors, which have bearing on the functioning of a business unit. Business depends on the economic environment to buy its input as well as to sell it. The Economic Environment affects the demand structure of any industry / product. At the same time Indian Economy is witnessing growth rate of 6% plus on an average per annum. In order to assess the impact of these forces, it is necessary for the business to examine the following factors in a greater detail.

(a) Gross national product

(b) Per capita income

(c) Balance of trade position

(d) Industry life cycle and current phase through which industry is passing. (boom, recession and depression)

(e) The inflationary or deflationary trends.

(f) Rate of Interest charged by commercial banks.

These factors can be threat or opportunity to a firm. The marketer needs to understand the impact of these economic forces on his company's products and services.

THE SOCIAL AND CULTURAL ENVIRONMENT

Culture represents RELIGION, LANGUAGE, UPBRINGING AND EDUCATION of any human being. Social Class comprises of Income, Occupation, location of residence etc. In India, there are 7 major religious groups such as Hindu, Muslim, Sikhs, Christians, Zoroastrians, Buddhists and Jain. There are 17 different languages spoken in 28 different states of the country.

In such an environment, it is crucial for businesses to fully understand the cultural values of a society, especially where an organization is seeking to do business in a country where social and cultural values keep changing in all areas and they are given top priorities (Daily Soap operas work successfully in India). Attitudes to specific products/services change through time and at any one time between different groups. Key issues relating to the social and cultural environment include the changing role of women. The importance of leisure time and the role of the family.

TECHNOLOGICAL ENVIRONMENT

The pace of technological change is becoming increasingly rapid and businessman need to understand how technological developments might affect them in four related business areas:

(a) New technologies can allow new goods and services to be offered to consumers

(b) New technology can allow existing products to be made more cheaply, thereby widening their market

(c) Technological developments have allowed new methods of distributing goods and services

(d) New opportunities for companies to communicate with their target customers have emerged.

DEMOGRAPHIC ENVIRONMENT

Demography is the study of populations in terms of age and sex composition. Among the topics of interest to demographers are the age structures of a country, the geographic distribution of its population, the balance between male and females, and the likely future size of the population and its characteristics. Changes in the size and age structure of the population are critical to many organizations. For any business in any country, it is very important to understand the demographic environment as ***"People make up markets."***

NATURAL ENVIRONMENT

Geographical factors such as Weather, climatic conditions. Rainfall, minerals, soils, land forms. These resources have enormous impact on the business of any industry. Manufacturing activities also depend on the availability of/condition of natural environment. Thus, business is very much affected by Natural Environment.

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LEGAL ENVIRONMENT

Legal Environment is the result of government intervention in the economic and business spheres. A business has to operate within the framework of regulations and legal provisions created by legal environment.

Thus, legal environment is the net result of various laws, rules procedures and regulations made by the Government in regard to the formation and operation of business enterprises.

INTERNATIONAL ENVIRONMENT

This comprises of international elements such as:

- International politics
- Economic environment at international level
- Legal environment at international level
- Other environmental elements

This environment affects businesses, which are dependent on international environment. The exporter, importer, domestic marketer all these gets affected by international environment.

ECONOMIC ENVIRONMENT

The Economic Environment includes all those factors which affect the functioning of a business entity. Economic conditions, economic policies and the economic system are the important external factors that constitute the economic environment of a business. The factors of Economic environments are

(1) Structure and nature of the economy, (2) Economic policies, (3) Economic Planning (4) Economic resources, (5) Level of incomes, etc.

The survival and success of each and every business enterprise depend fully on its economic environment. The main factors that affect the economic environment are:

(a) Economic Conditions

The economic conditions of a nation refer to a set of economic factors that have great influence on business organizations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market etc. All these help in improving the pace of economic growth.

(b) Economic Policies

All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are:

(i) Industrial policy
(ii) Fiscal policy
(iii) Monetary policy
(iv) Foreign investment policy
(v) Export –Import policy (Exim policy)

The government keeps on changing these policies from time to time in view of the developments taking place in the economic scenario, political expediency and the changing requirement. Every business firm has to function strictly within the policy framework and respond to the changes therein.

(c) Economic System

The world economy is primarily governed by three types of economic systems, viz.

(i) Capitalist economy

(ii) Socialist economy

(iii) Mixed economy

India has adopted the mixed economy system which implies co-existence of public sector and private sector.

ECONOMIC ENVIRONMENT OF BUSINESS

Environment refers to all those economic factors, which have a bearing on the functioning of a business. Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods. Naturally, the dependence of business on the economic environment is total and is not surprising because, as it is rightly said, business is one unit of the total economy.

Economic environment influences the business to a great extent. It refers to all those economic factors which affect the functioning of a business unit. Dependence of business on economic environment is total, *i.e.,* for input and also to sell the finished goods. Trained economists supplying the Macro economic forecast and research are found in major companies in manufacturing, commerce and finance which prove the importance of economic environment in business. The following factors constitute economic environment of business:

(a) Economic system

(b) Economic planning

(c) Industry

(d) Agriculture

(e) Infrastructure

(f) Financial and fiscal sectors

(g) Removal of regional imbalances

(h) Price and distribution controls

(i) Economic reforms

(j) Human resource and

(k) Per capita income and national income

The state became the encourager of savings and also an important investor and the owner of capital. Since the state was to be the primary agent of economic change, it followed that private sector activities had to be strictly regulated and controlled to conform to the objectives of state policy.

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The growth strategy also meant, in the early years of planning, a relative neglect of public investments in agriculture. This negligence of agriculture sector was supported by the general view that the increase labour in the developing countries could only be absorbed in the industry, and that during the early stages of industrialization, it was necessary for agriculture to contribute in the establishment of modern industry by offering inexpensive work force. A faster development of industry was the central objective of planning. The above is a thumbnail sketch of the growth strategy followed by the planners in the past four decades.

ECONOMIC POLICIES

Economic policies are framed by the government which can have a great impact on business. Economic policies are industrial policy, trade policy, foreign exchange policy, monetary policy, fiscal policy and foreign investment and technology policy.

1. Fiscal policy: It concern itself with the aggregate effect of government expenditure and taxation on income, production and employment. The strategy of government regarding public expenditure and revenue can have a significant impact on the business.

2. Monetary policy: The RBI, being primarily concerned with money matters, organizes currency and credit that it thinks is subservent to the broad economic objective of the country.

3. Industrial policy: This policy defined the scope and role of different sectors like private, public, joint and co-operative. The Government announced a New Industrial Policy on July 24, 1991. This new policy deregulates the industrial economy in a substantial manner.

4. Trade policy: The trade policy greatly affects the fortunes of firms. Trade policy is integrated with the industrial policy. As part of the economic liberalisation and WTO compliance, India has very substantially liberalised imports.

ECONOMIC PLANNING

India is necessarily a planned economy. It does not mean simply a controlled economy in which, the Government interferes in economic matters through fiscal and monetary policies. At the same time, the government cannot leave the private sector to function in its own unorganised way.

All the five year plans were designed to achieve four important long term objectives, viz.,

1. Increase production to the maximum possible extent so as to achieve a higher level of national and per capita income
2. Achieve full employment.
3. Reduce inequalities of income and wealth and
4. Set up a socialist society based on equality and justice and the absence of exploitation.

Planning is a pervasive function of management and it chalks out a course of action for the enterprise to follow. Planning enables to provide for uncertain future. Planning makes it possible for things to occur which would not otherwise happen and it is mental exercise which requires the use of intellectual facilities. There are two aspects of Indian Planning:

(a) Management aspect of Indian Planning

(b) Economic aspect of Indian Planning

In management aspect of Indian planning, we make use of planning for the betterment of business enterprise. Planning is concerned with thinking before doing and deciding in advance what is to be done, how is it to be done, when is it to be done and who is to do it.

According to Theo Haimann, "*Planning is deciding in advance what is to be done. When a manager plans, he projects a course of action for the future, attempting to achieve a consistent, coordinated structure of operations aimed at the desired results*". Planning is universal and every business unit has to plan its economic activity. Planning lays down the means to achieve objectives. Planning is an intellectual process and requires mental exercise. On the basis of facts and figures, planning lays down a course of action to be followed. Planning is always a continuous and perpetual process and if circumstances prevail, changes and modifications are regularly done in the planned course of action on account of changes in environment. Planning must be precise as to its meaning, scope and nature. Finally, in the nature of planning we can say that it covers the entire enterprise will all its segments and every level of management.

Planning must provide some basic concepts like objectives, policies procedures, programs and budgets. Objectives are basic plans which decide goals or end results of the projected actions of an enterprise, Policies provide guide to action. These are generally statements which guide or channel thinking in decision making of subordinates. Procedures indicate the specific manner in which a certain activity is to be performed. A procedure is thus a standing plan which lays down a sequence of step by step actions that are repeatedly followed. It may be durable like policies, but they are not as flexible as policies are Program lays down the course of action that are executed to obtain established set objectives. Programs are necessary for both repetitive and non-repetitive courses of action. Programs are made of many small plans where each plan contributes to the accomplishment of the overall objectives of the enterprise. Budget is an instrument used by management for planning the future course of business. In other words, budgets are plans containing statements of expected results in numerical terms. Budgets and programs are closely interrelated. Many programs are implemented by means of some budgets; the budgets themselves are very often utilized as the entire program in many business enterprises.

Economic planning is made for reducing economic risks. Under this planning, we can select best alternative for increasing the economic strength of company. Economic planning's other name is central planning and central economic planning. In economic planning, we have to make plan regarding optimum use of our resources in producing of goods. We also have to make plan to produce optimum quantity of output. We can use economic planning at small level and at large level like investment decisions of Government. MNC uses economic planning for effective division of their resources in their different departments and branches.

LEGAL ENVIRONMENT OF BUSINESS IN INDIA

In today's economies, relevance of a protective legal environment assumes immense proportions as it is the foundation of investment decision.

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The socio-economic and political objectives of the Indian Republic and the basic guiding principles of state functioning have been clearly laid down in the Preamble to the Constitution, the Fundamental Rights and in the Directive Principles of State policy.

The basic objectives underlying the law were to provide:

(i) a minimum standard of good behaviour and business honesty in company promotion and management

(ii) due recognition of the legitimate interest of shareholders and creditors and of the duty of managements not to prejudice to jeopardise those interests

(iii) povision for greater and effective control over and voice in the management for shareholders

(iv) a fair and true disclosure of the affairs of companies in their annual published balance sheet and profit and loss accounts

(v) a higher standard of accounting and auditing

(vi) recognition of the rights of shareholders to receive reasonable information and facilities for exercising an intelligent judgement with reference to management

(vii) a ceiling on the share of profits payable to managements as remuneration for services rendered

(viii) a check on their transactions where there was a possibility of conflict of duty and interest.

Legal environment of business means all factors relating to laws and legal orders which affect business and its working. Business must be operated under the rules and regulation of different laws of India. The following is the list of main laws which affect business.

(a) Indian Contract Act 1872

(b) Indian Sale of Goods Act 1930

(c) Indian Partnership Act 1932

(d) Industrial Dispute Act 1947

(e) Minimum Wages Act 1948

(f) Indian Companies Act 1956

(g) Foreign Exchange Regulation Act (FERA) 1973

(h) Foreign Exchange Management Act 1999

(i) Monopolies and Restrictive Trade Practice Act 1969

(j) Consumer Protection Act 1986

(k) Indian Income Tax Act 1961

(l) Central Excise Act 1944

(m) Security Exchange Board of India Act 1992

(n) Banking Regulation Act 1949

(o) Chartered Accountant Act 1949

(p) Information Technology Act 2000

(q) Competition Act 2002

(r) Right to Information Act 2005

(s) Micro, Small and Medium Enterprises Development Act,2006

(t) Commissions for Protection of Child Rights Act,2005

COMPETITION POLICY

A good and effective competition policy with the objective of restraining the emergence of monopolies and bringing in a competitive market that would ensure benefits to the consumers and overall economic efficiency, and at the same time take cognizance of the specific needs of a developing country like India, should have the following characteristics:

1. It should be capable of controlling the misuse of the market power of dominant firms.
2. It should have a clear perception of dominance and should develop unambiguous criteria for determining the abuse of dominance.
3. It should be able to identify the anti-competitive effects of mergers and acquisitions and provide a prescription to deal with such effects.
4. It should check barriers to entry, subject to the provisions of industrial policy.

A review of cross-country literature suggests that there is a positive association between GDP growth and competition. Empirical studies have suggested that competition enhances productivity at industry level, generates more employment and lowers consumer prices. A pro-competitive policy environment has been found to be positively associated with long-term growth. Competition-enhancing policies have pervasive and long lasting effects on economic performance by affecting economic actors' incentive structure, by encouraging their innovative activities and by selecting more efficient ones from less efficient ones over time. The positive effects of competition are well illustrated by the recent experiences in India in several sectors such as telecommunications, automobiles, newspapers and consumer electronics, where there has been a fall in real prices/tariffs and marked improvement in the quality of goods/services.

The reforms initiated since 1991 recognized the need for removing fetters on trade and industry with the view to unleash the competitive energies. The Industrial Policy Statement of 1991 emphasized the attainment of technological dynamism and international competitiveness. It noted that Indian industry could scarcely be competitive with the rest of the world if it had to operate within an over-regulated environment. To enhance competition in the domestic markets and to generate/promote a culture of competition in the country is part of this broader agenda on reforms. The economic reforms undertaken by the Government have been generally on a sector by sector basis and the progress across sectors has not been uniform. While some sectors have successfully imbibed a strong competition culture, relatively weak competitive pressure exists in a number of sectors, such as electricity, in India. There are several policies and laws can have significant bearing on competition. These should be made competition-friendly as far as possible.

To strengthen the forces of competition in the market, both competition law and competition policy are required. The two complement each other. The competition law prohibits and penalizes anti-competitive practices by enterprises functioning in the

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market; that is, it addresses market failures. Sector regulatory laws mimic competition in the areas of natural monopolies. Other regulatory laws, such as those for intellectual property or anti-dumping or even capital markets, too have an important interface with competition. The aim of the competition policy is to create a framework of policies and regulations that will inform other policies to facilitate competitive outcomes in the market. Competition policy is a critical component of any overall economic policy framework. Competition policy is intended to promote efficiency and to maximize consumer/social welfare. It also promotes creation of a business environment, which improves static and dynamic efficiencies, leads to efficient resource allocation and consumer welfare, and in which abuse of market power is prevented/curbed. It also promotes good governance by restricting rent seeking practices of economic factors.

During the Tenth Plan period, the Competition Act, 2002 was enacted. The Act established the CCI to eliminate practices having adverse effect on competition, promote and sustain competition in markets, protect the interest of consumers and ensure freedom of trade Consumer Protection and Competition Policy 251 carried on by other participants, in markets in India. The Competition (Amendment) Act, 2007 passed by the Parliament in September 2007 has incorporated some changes in the Competition Act, 2002 including the establishment of a Competition Appellate Tribunal to hear appeals from the orders of the CCI. Until recently, as the substantive provisions were not notified, CCI was engaged, inter alia, in promotion of competition advocacy and creating awareness about competition issues. This activity will continue, even after the operationalization of the Competition Commission, which should happen soon.

The Planning Commission, in the context of the formulation of the Eleventh Plan, constituted a Working Group on Competition Policy with wide representation of professionals from government and non-government organizations. As suggested by the Working Group, there is a need for the government to adopt a broad-based, overarching and comprehensive NCP to promote coherence in the reforms process, to establish uniform competition principles across different sectors and to harmonize all other policies keeping in view the competition dimensions.

The broad objectives of the NCP should be:

(i) to preserve the competitive process and to encourage competition in the domestic market so as to optimize efficiency,

(ii) to promote innovation and maximize consumer welfare,

(iii) to promote, build and sustain strong competition culture within the country;

(iv) to achieve harmonization in policies, laws and procedures regarding competition dimensions at all levels of governance,

(v) to ensure competition in regulated sectors and to establish an institutional mechanism for synergized relationship between the Competition Commission and sectoral Regulators, and

(vi) to strive for a single national market.

The interface between the Competition Commission vis-à-vis sectoral regulators is critical. The basic premise to be recognized is that sectoral regulators have domain expertise in their relevant sectors. The Competition Commission, established under the Competition Act, 2002 on the other hand, has been constituted with a broad mandate to deal with competition for which certain very specific parameters are laid down under the

Act. A formal mechanism for coordination between the Competition Commission and the sectoral regulators is, therefore, of key importance. Coordination between sectoral regulators and Competition Commission should be made mandatory through suitable provisions in the Competition Act, 2002 and sectoral laws.

Regulation may be justified or warranted in sectors which have natural monopolies or network industries more so where a universal service obligation exists. However, regulation may not be required where these features do not prevail. Such sectors should ideally be left to the forces of competition. Even in sectors where regulation is required, it should be competition based or competition driven. One of the objectives of the regulation should be to create a competitive market in so far as this is feasible. As competition in the regulated sectors expands, the regulation should ideally become lighter and ultimately economic regulation may not be necessary. Therefore, a sunset clause based on considered timelines appropriate to the regulated sector may be considered in all economic regulatory laws so as to leave the industry to market forces once effective competition is achieved. Any anticompetitive conduct can always be addressed by the Competition Act, 2002.

Successful implementation of competition policy and law largely depends upon its acceptance by the people. Competition advocacy buttressed by good enforcement plays a vital role in securing the willingness and acceptability of a competition policy and law. Competition advocacy can also be looked at as law enforcement without intervention. An important tool of advocacy is the ability of many competition authorities to give an opinion on proposed legislation and public policy on their own, so that the law makers and policy makers consider the competition dimension and give reasons for deviating from them for the benefit of the public. The assistance of CCI and other expert bodies could be utilized for conducting studies in this regard.

The concept and the role of competition are relatively new to the Indian business community. There is, therefore, a pressing need to increase the level of awareness about the benefits of competition and the contribution of the competition law in this respect among the public, more particularly among the business community. The Commission has been given, under the Act, the mandate to generate public awareness; its efforts in this area may be further strengthened. The Commission should formulate, publish and post in the public domain guidelines covering various dimensions related to competition law for enhancing public awareness. Such guidelines will help enterprises by bringing greater clarity about the provisions of the competition law and the manner of its enforcement. The Commission should also engage in Compliance Education for business.

The primary objective of GATT was to expand international trade by liberalising trade so as to bring about all-round economic prosperity. The main objective is to raising standard of living, ensuring fully employment, full use of resources and expansion of production and internation trade.

There is strong commonality between competition policy and law on the one hand and consumer protection policy and law on the other. An effective competition policy lowers entry and exit barriers and makes the environment conducive to promoting entrepreneurship, which also provides space for the growth of small and medium enterprises and consequent employment expansion. Competition law concentrates in maintaining the process of competition between enterprises and tries to remedy

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behavioural or structural problems in order to re-establish effective competition in the market. The consequence of this is higher economic efficiency, greater innovation and enhancement of consumer welfare. Thereby the consumer experiences wider choices and greater availability of goods at affordable prices. On the other hand, the consumer protection policy and law are primarily concerned with the nature of consumer transactions, trying to improve market conditions for effective exercises of consumer choice. Thus, the two disciplines focus on different market failures and offer different remedies, but are both aimed at maintaining well functioning, competitive markets that promote consumer welfare. The two disciplines are mutually re-enforcing.

MRTP ACT

The Monopolies and Restrictive Trade Practices Act, 1969 (MRTP) is an important piece of economic legislation designed to ensure that the operation of the economic system does not result in the concentration of economic power to the common detriment.

OBJECTIVES

The Act had two objectives before the amendment in 1991, viz.

- Regulation of monopolies and prevention of concentration of economic power and
- Prohibit monopolistic, restrictive and unfair trade practices.

After the amendment, the first objective has become irrelevant as the relevant provisions to achieve the objective have been deleted. The objectives now are:

- Controlling monopolistic trade practices, and
- Regulating restrictive and unfair trade practices.

REGULATION OF TRADE PRACTICES

The main objective of the MRTP Act, that is the regulation of monopolistic, restrictive and unfair trade practices, is sought to be achieved through the instrumentality of the MRTP Commission, a quasi-judicial body, set up by the government for the purpose of the Act. The commission is empowered to inquire into any monopolistic, restrictive or unfair trade practices. In matters relating to monopolistic trade practices, the Central Government can pass an appropriate order after the Commission, on inquiry, came to the conclusion that the practice operates against the public interest. In matters relating to restrictive and unfair trade practices, the Commission is empowered to pass a cease and desist order, where it is of the opinion that the practice is against public interest.

MEANING OF MTP

A monopolistic trade practice (MTP) is essentially a trade practice which represents the abuse of the market power in the production or marketing of goods, or in the provision of services, by charging unreasonably high prices, preventing ore reducing competition, limiting technical development, deteriorating product quality or by adopting unfair or deceptive practices.

The concept of monopolistic trade practice, as used in the MRTP Act, is very wide and complex. The 1984 amendment to the Act has further widened the concept of monopolistic trade practices. Monopolistic trade practices have been defined under Section 2(i) of the amended MRTP Act as follows:

Any trade practice which has, or is likely to have, the effect of:

- maintaining the prices of goods or the charges for services at an unreasonable level by limiting,reducing or otherwise controlling the production, supply or distribution of goods of any description or the supply of any services or in any other manner;
- unreasonably preventing or lessening competition in the production, supply or distribution of any goods or in the supply of any services;
- limiting technical development or capital investment to the common detriment or allowing the quality of any goods produced, supplied or distributed or any services rendered in India to deteriorate;
- increasing unreasonably:

(i) The prices at which goods are, or may be sold or re-sold or the charges at which the services are, or may be provided or

(ii) the profits which are, or may be derived from the production, supply or distribution (including the sale or purchase) of any goods or by the provision of services.

- preventing or lessening competition in the production, supply or distribution of any goods or in the provision or maintenance of any service by the adoption of unfair methods or unfair or deceptive practices.

REGULATION OF MTPS

As per Section 31 of the MRTP Act, where it appears to the Central Government that the owners of one or more undertakings are indulging in any monopolistic trade practice, the Central Government may refer the matter to the MRTP Commissioner for enquiry and report thereon. Such an enquiry may be conducted by the MRTP Commission on its own initiative or on information available to it. On the basis of the report, the Central Government may pass an appropriate order for:

- regulation of production and fixing the terms of sale (including prices);
- prohibiting any action that restricts competition and
- fixing standards for goods produced.
- to meet the requirements of the defence of India or any part thereof, or for the security of the State.
- to ensure the maintenance of supply of essential goods and services and
- to give effect to the terms of any agreement to which the Central Government is a party.

RESTRICTIVE TRADE PRACTICES (RTPS)

In order to maximize their profit and gain more market power, traders are often attempted to indulge in certain trade practices which restrict, reduce or prevent competition in the market and thereby harm the consumer interest. Such practices are referred to as restrictive trade practices. Because of their adverse effect on the consumer and public interest, they are sought to be regulated in almost every country of the world. In our country, such regulation is sought to be exercised through the MRTP Act.

The following are the RTPs as described by Section 33(1) of the MRTP Act:

- Refusal to deal with persons or classes of persons: Any agreement which restricts or is likely to restrict by any methods, the persons or classes of persons to whom goods are sold or from whom goods are bought.
- Tie-in sales or full-line forcing: Any agreement requiring the purchaser of goods, as a condition of such purchase, to purchase some other goods.

UNFAIR TRADE PRACTICE

Misleading advertisement and False Representation:

- Falsely representing that goods and services are of a particular standard, quality, grade, composition or style.
- Falsely representing any second hand renovated or old goods as new.
- Representing that goods or services, seller or supplier have a sponsorship, approval or affiliation which they do not have.
- Making a false or misleading representation concerning need for, or usefulness of goods or services.
- Giving to public any warranty, guarantee of performance that is not based on an adequate test or making to public representation which surports to be such a guarantee or warranty.
- *False and misleading claims with respect to the price of goods or services.*
- Giving false or misleading facts dispara-ing the goods, services or trade of another person or concern.

PLIGHT OF THE INDIAN CONSUMER

The following facts make his plight miserable:

(i) Short supply of many goods and services, especially of essential items, is a very serious problem afflicting the Indian consumer. This demand-supply imbalance has produced all the associated evils of profiteering, hoarding and black marketing, corruption, irresponsiveness and arrogance towards consumers.

(ii) The Indian consumer is also the victim of lack of effective or workable competition.

(iii) Many products with which consumers in advanced countries are quite familiar are still new to a very large segment of the Indian consumers. The unfamiliarity of the consumers with product features makes the sale of substandard, inferior or even defective products easier in India than in advanced countries.

(iv) Due to low literacy levels and unsatisfactory information flows, the Indian consumers, by and large, are not conscious of all their rights. This encourages irresponsible and unscrupulous business attitudes and tactics.

(v) It has been said that the legal process in India is comparatively time-consuming and cumbersome. This discourages the consumers from seeking the redressal of their grievance by means of the judicial process.

(vi) Consumerism in India is not well organised and developed.

(vii) Though the public sector has been developed and expanded to serve the public interest by providing effective competition to the private sector, increasing production, improving distribution, etc. it has yet to produce benefits that are commensurate with the investment.

(viii) Though there are a number of laws to safeguard the interests of consumers, they are not effectively implemented and enforced to achieve the objectives.

THE CONSUMER PROTECTION ACT, 1986

An Act to provide for better protection of the interests of consumers and for that purpose to make provision for the establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matters connected therewith.

1. This Act may be called the Consumer Protection Act, 1986.

2. It extends to the whole of India except the State of Jammu and Kashmir.

3. It shall come into force on such date as the Central Government may, by notification, appoint and different dates may be appointed for different States and for different provisions of this Act.

4. Save as otherwise expressly provided by the Central Government by notification, this Act shall apply to all goods and services.

Consumerism is a social force to make the business more honest, efficient, responsive, responsible and to pressurise the government to adopt the necessary measures to protect consumer interests by guaranteeing their legitimate rights. consumers accept consumerism as a means of asseting and enjoying their rights.

Promotion of consumer welfare is the common goal of consumer protection and competition policy. At the root of both consumer protection and competition policy is the recognition of an unequal relationship between consumers and producers. Protection of consumers is accomplished by setting minimum quality specifications and safety standards for both goods and services and establishing mechanisms to redress their grievances. The objective of competition is met by ensuring that there are sufficient numbers of producers so that no producer can attain a position of dominance. If the nature of the industry is such that dominance in terms of market share cannot be avoided, it seeks to ensure that there is no abuse on account of this dominance. Competition policy also seeks to forestall other forms of market failure, such as formation of cartels, leading to collusive pricing, division of markets and joint decisions to reduce supply. Mergers and acquisitions also need to be regulated as they reduce competition.

The constituents of quality infrastructure are :

- Standardization
- Standard development
- Standard information
- Metrology

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- Quality assurance/conformity assessment

- Testing
- Inspection
- Product certification
- Management Systems Certification (ISO 9000/14000/ 22000/27001/ OHSMS, etc.)
- Regulation and enforcement
- Accreditation

CONSUMER PROTECTION COUNCILS

The central consumer protection council

1. The Central Government *shall*, by notification, establish with effect from such date as it may specify in such notification, a Council to be known as the Central Consumer Protection Council (hereinafter referred to as the Central Council).

2. The Central Council shall consist of the following members, namely:

(a) the Minister in charge of the consumer affairs in the Central Government, who shall be its Chairman, and

(b) such number of other official or non-official members representing such interests as may be prescribed.

OBJECTS OF THE CENTRAL COUNCIL

The objects of the Central Council shall be to promote and protect the rights of the consumers such as:

(a) the right to be protected against the marketing of goods and services which are hazardous to life and property.

(b) the right to be informed about the quality, quantity, potency, purity, standard and price of goods or services, as the case may be so as to protect the consumer against unfair trade practices.

(c) the right to be assured, wherever possible, access to a variety of goods and services at competitive prices.

(d) the right to be heard and to be assured that consumer's interests will receive due consideration at appropriate forums.

(e) the right to seek redressal against unfair trade practices or restrictive trade practices or unscrupulous exploitation of consumers.

(f) the right to consumer education.

THE STATE CONSUMER PROTECTION COUNCILS

1. The State Government shall, by notification, establish with effect from such date as it may specify in such notification, a Council to be known as the Consumer Protection Council (hereinafter referred to as the State Council ....).

2. The State Council shall consist of the following members, namely:

(a) the Minister incharge of consumer affairs in the State Government who shall be its Chairman.

(b) such number of other official or non-official members representing such interests as may be prescribed by the State Government.

(c) such number of other official or non-official members, not exceeding ten, as may be nominated by the Central Government.

3. The State Council shall meet as and when necessary but not less than two meetings shall be held every year.

4. The State Council shall meet at such time and place as the Chairman may think fit and shall observe such procedure in regard to the transaction of its business as may be prescribed by the State Government.

OBJECTS OF THE STATE COUNCIL

The objects of every State Council shall be to promote and protect within the State the rights of the consumers laid down in clauses (a) to (f) of section 6.

PROTECTION OF ACTION TAKEN IN GOOD FAITH

No suit, prosecution or other legal proceedings shall lie against the members of the District Forum, the State Commission or the National Commission or any officier or person acting under the direction of the District Forum, the State Commission or the National Commission for executing any order made by it or in respect of anything which is in good faith done or intended to be done by such member, officier or person under this Act or under any rule or order made thereunder.

ENVIRONMENT SCANNING ANALYSIS

Environment Scanning entails scrvtirising the environment to identify action by competitors, government, union and the like that might impinge on the organizations operations. It is a Step towards corporate planning which fall in the domain of strategics management.

Strategic Management process evolves determining the mission and objectives, analysis of the environment opportunities and threats and evaluating the strength and weaknesses of the feim to top the opportunities or to combat the threat, formulating strategies to achieve the objectives of the organization.

ENVIRONMENTAL PROTECTION

Environmental protection is a practice of protecting the natural environment on individual, organizational or governmental levels, for the benefit of the natural environment and humans. Due to the pressures of population and technology, the biophysical environment is being degraded, sometimes permanently. This has been recognized, and governments have begun placing restraints on activities that cause environmental degradation. Since the 1960's, activity of environmental movements has created awareness of the various environmental issues. There is no agreement on the Macroenvironment extent of the environmental impact of human activity, and protection measures are occasionally criticized.

Academic institutions now offer courses, such as environmental studies, environmental management and environmental engineering, that teach the history and methods of environment protection. Protection of the environment is needed due to various human activities. Waste production, air pollution, and loss of biodiversity (resulting from the introduction of invasive species and species extinction) are some of the issues related to environmental protection.

Environmental protection is influenced by three interwoven factors: environmental legislation, ethics and education. Each of these factors plays its part in influencing national-level environmental decisions and personal-level environmental values and behaviors. For environmental protection to become a reality, it is important for societies to develop each of these areas that, together, will inform and drive environmental decisions.

Environmental issues are harmful aspects of human activity on the biophysical environment. Environmentalism, a social and environmental movement that started in the 1960s, addresses environmental issues through advocacy, education and activism.

This is a list of environmental issues. As such they relate to the anthropogenic effects on the natural environment.

(a) Climate change — Global warming

- Global dimming
- Fossil fuels
- Sea level rise
- Greenhouse gas
- Ocean acidification
- Shutdown of thermohaline circulation
- Environmental impact of the coal industry
- Urban Heat Islands

(b) Conservation — Species extinction

- Pollinator decline
- Coral bleaching
- Holocene extinction
- Invasive species
- Poaching
- Endangered species

(c) Energy — Energy conservation

- Renewable energy
- Efficient energy use
- Renewable energy commercialization
- Environmental impact of the coal industry

- Environmental impact of hydraulic fracturing

(d) Environmental degradation — Eutrophication

- Habitat destruction
- Invasive species
- Soda lake

(e) Environmental health — Air quality

- Asthma
- Environmental impact of the coal industry
- Electromagnetic fields
- Electromagnetic radiation and health
- Indoor air quality
- Lead poisoning
- Sick Building Syndrome
- Environmental impact of hydraulic fracturing

(f) Genetic engineering — Genetic pollution

- Genetically modified food controversies

(g) Intensive farming — Overgrazing

- Irrigation
- Mono culture
- Environmental effects of meat production
- Slash and burn
- Pesticide drift
- Plasti culture

(h) Land degradation — Land pollution

- Desertification

(i) Soil — Soil conservation

- Soil erosion
- Soil contamination
- Soil salination
- Alkali soils * Residual Sodium Carbonate Index

(j) Land use — Urban sprawl

- Habitat fragmentation
- Habitat destruction

(k) Nanotechnology — Nanotoxicology

- Nanopollution

(l) Nuclear issues — Nuclear fallout

- Nuclear meltdown

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- Nuclear power

- Nuclear weapons
- Nuclear and radiation accidents
- Nuclear safety
- High-level radioactive waste management

(m) Overpopulation — Burial

- Water crisis
- Overpopulation in companion animals
- Tragedy of the commons
- Gender Imbalance in Developing Countries
- Sub-replacement fertility levels in developed countries

(n) Ozone depletion — CFC

- Biological effects of UV exposure

(o) Pollution — Environmental impact of the coal industry

- Nonpoint source pollution
- Point source pollution
- Light pollution
- Noise pollution
- Visual pollution

(p) Water pollution — Environmental impact of the coal industry

- Acid rain
- Eutrophication
- Marine pollution
- Ocean dumping
- Oil spills
- Thermal pollution
- Urban runoff
- Water crisis
- Marine debris
- Microplastics
- Ocean acidification
- Ship pollution
- Wastewater
- Fish kill
- Algal bloom
- Mercury in fish
- Environmental impact of hydraulic fracturing

(q) Air pollution — Environmental impact of the coal industry

- Smog
- Tropospheric ozone
- Indoor air quality

- Volatile organic compound
- Atmospheric particulate matter
- Environmental impact of hydraulic fracturing

(r) Reservoirs — Environmental impacts of reservoirs

(s) Resource depletion — Exploitation of natural resources

- Overdrafting

(t) Consumerism — Consumer capitalism

- Planned obsolescence
- Over-consumption

(u) Fishing — Blast fishing

- Bottom trawling
- Cyanide fishing
- Ghost nets
- Illegal, unreported and unregulated fishing
- Overfishing
- Shark finning
- Whaling

(v) Logging — Clearcutting

- Deforestation
- Illegal logging

(w) Mining — Acid mine drainage

- Environmental impact of hydraulic fracturing
- Mountaintop removal mining
- Slurry impoundments

(x) Toxins — Chlorofluorocarbons (CFCs)

- DDT
- Endocrine disruptors
- Dioxin
- Toxic heavy metals
- Environmental impact of the coal industry
- Herbicides
- Pesticides
- Toxic waste
- PCB
- Bioaccumulation
- Biomagnification
- Environmental impact of hydraulic fracturing

(y) Waste — Electronic waste

- Litter

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- Waste disposal incidents

- Marine debris
- Medical waste
- Landfill
- Leachate
- Environmental impact of the coal industry
- Incineration
- Great Pacific Garbage Patch
- Exporting of hazardous waste
- Environmental impact of hydraulic fracturing

STATUTORY REGULATION

Number of laws have been framed from time to time to protect the interests of consumer. These are the statutory weapons to control the production, supply, distribution, price and quality of a large number of goods and services.

DEVELOPMENT OF PUBLIC SECTOR

There had been a significant growth and expansion of the public sector in India. One of the main objective of public sector is consumer welfare by increasing production, improving efficiency in production and supply, making available goods and services of fair prices, curbing private monopolies and reducing market imperfections, improving the distribution system, and so on.

There are certain laws like the MRTP Act which are not applicable to the public sector. Undertakings owned or controlled by Government should also be subject to some law.

The Government has developed the public distribution system to reduce the hardships of consumers, by making essential consumer goods available more equitably and at fair prices.

LIBERALISATION

It means liberating the economy, trade and industry from unwanted restrictions. The liberalisation measures were introduced by the Government with the following objectives in mind:

1. To ensure better utilization of capacity.
2. To achieve economies of scale.
3. To accelerate the rate of industrial development.
4. To reduce and in some cases to remove the procedural impediments.
5. To work towards the development of backward areas.
6. To ensure export promotion and import substitution.
7. To increase competitiveness in Indian Industry and to ensure healthy competition.

LIBERALISATION IN INDIA

Economic liberalization of India means the process of opening up of the Indian economy to trade and investment with the rest of the world. Till 1991 India had a import protection policy wherein trade with the rest of the world was limited to exports. Foreign investment was very difficult to come into India due to a bureaucratic framework. After the start of the economic liberalization, India started getting huge capital inflows and it has emerged as the 2nd fastest growing country in the world. The economic liberalisation in India refers to ongoing economic reforms in India that started on 24 July 1991. After Independence in 1947, India adhered to socialist policies. Attempts were made to liberalise economy in 1966 and 1985. The first attempt was reversed in 1967. Thereafter, a stronger version of socialism was adopted. Second major attempt was in 1985 by prime minister Rajeev Gandhi. The process came to a halt in 1987, though 1966 style reversal did not take place. In 1991, after India faced a balance of payments crisis, it had to pledge 20 tons of gold to Union Bank of Switzerland and 47 ton to Bank of England as part of a bailout deal with the International Monetary Fund (IMF). In addition, the IMF required India to undertake a series of structural economic reforms. As a result of this requirement, the government of P. V. Narasimha Rao and his finance minister Manmohan Singh (currently the Prime Minister of India) started breakthrough reforms, although they did not implement many of the reforms the IMF wanted. The new neo-liberal policies included opening for international trade and investment, deregulation, initiation of privatization, tax reforms, and inflation-controlling measures. The overall direction of liberalisation has since remained the same, irrespective of the ruling party, although no party has yet tried to take on powerful lobbies such as the trade unions and farmers, or contentious issues such as reforming labour laws and reducing agricultural subsidies. Thus, unlike the reforms of 1966 and 1985 that were carried out by the majority Congress governments, the reforms of 1991 carried out by a minority government proved sustainable. There exists a lively debate in India as to what made the economic reforms sustainable.

There has been significant debate, however, around liberalisation as an inclusive economic growth strategy. Since 1992, income inequality has deemed in India with consumption among the poorest staying stable while the wealthiest generate consumption growth. Liberalisation implies a reduction in government intervention and free play of market forces at the national and international level. India's economic policy was substantially liberalised after 1991. India has made fairly liberal commitments in e-commerce and services. The foreign investment regime governing foreign direct investment, portfolio investment, and venture capital was liberalised to attract foreign capital.

INDUSTRIAL LICENSING

The policy-makers killed a number of opportunities by abolishing industrial licensing. Industrial licensing had ensured that the Government will decide which Indian company will produce how much of a good for the large Indian domestic market. The domestic producer had an interest in obtaining licenses and increasing capacity, both of which were possible by obliging government officials and politicians. Innovation and efficiency was not the hallmark of Indian manufacturing industry, as rents to officials and politicians easily helped those secure advantages in the Indian market.

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LPG AND THE ECONOMIC REFORM POLICY OF INDIA

Following its freedom on August 15, 1947, the Republic of India stuck to socialistic economic strategies. In the 1980s, Rajiv Gandhi, the then Prime Minister of India, started a number of economic restructuring measures. In 1991, the country experienced a balance of payments dilemma following the Gulf War and the downfall of the erstwhile Soviet Union. The country had to make a deposit of 47 tons of gold to the Bank of England and 20 tons to the Union Bank of Switzerland. This was necessary under a recovery pact with the IMF or International Monetary Fund. Furthermore, the International Monetary Fund necessitated India to assume a sequence of systematic economic reorganizations. Consequently, the then Prime Minister of the country, P.V. Narasimha Rao initiated groundbreaking economic reforms. However, the Committee formed by P.V. Narasimha Rao did not put into operation a number of reforms which the International Monetary Fund looked for.

Dr. Manmohan Singh, the present Prime Minister of India, was then the Finance Minister of the Government of India. He assisted P.V. Narasimha Rao and played a key role in implementing these reform policies.

NARSIMHA RAO COMMITTEE'S RECOMMENDATIONS

The recommendations of the Narasimha Rao Committee are as follows:

- Bringing into the Security Regulations (Modified) and the SEBI Act of 1992 which rendered the legitimate power to the Securities Exchange Board of India to record and control all the mediators in the capital market.
- Doing away with the Controller of Capital matters in 1992 that determined the rates and number of stocks that companies were supposed to issue in the market.
- Launching of the National Stock Exchange in 1994 in the form of a computerized share buying and selling system which acted as a tool to influence the restructuring of the other stock exchanges in the country. By the year 1996, the National Stock Exchange surfaced as the biggest stock exchange in India.
- In 1992, the equity markets of the country were made available for investment through overseas corporate investors. Allowing the companies of the country in fund raising on overseas markets through issuance of GDRs or Global Depository Receipts.
- Promoting FDI (Foreign Direct Investment) by means of raising the highest cap on the contribution of international capital in business ventures or partnerships to 51% from 40%. In high priority industries, 100% international equity was allowed.
- Cutting down duties from a mean level of 85% to 25%, and withdrawing quantitative regulations. The rupee or the official Indian currency was turned into an exchangeable currency on trading account.
- Reorganization of the methods for sanction of Foreign Direct Investment. In 35 sectors as a minimum, routinely sanctioning plans within the boundaries for international investment and involvement.

The outcome of these reorganizations might be estimated by the statistic that the overall amount of overseas investment (comprising portfolio investment, FDI, and investment collected from overseas equity capital markets) in the country rose to $5.3 billion in 1995-1996 from a microscopic US $132 million in 1991-1992. P.V. Narasimha

Rao started industrial guideline changes with the production zones. He did away with License Raj, leaving just 18 sectors which required licensing. Control on industries was moderated.

PRIVATISATION

Privatisation means transfer of ownership and management of an enterpirse from the public sector to the private sector. it also means the withdrawal of the state from an industry or sector, partially or fully.

It is the process of transferring **ownership** of a business, enterprise, agency, public service or public property from the public sector (a Government) to the private sector, either to a business that operate for a profit or to a non-profit organization. It may also mean government outsourcing of services or functions to private firms, e.g. revenue collection, law enforcement, and prison management. **Privatization** has also been used to describe two unrelated transactions. The first is the buying of all outstanding shares of a publicly traded company by a single entity, taking the company private. This is often described as private equity. The second is a demutualization of a mutual organization or cooperative to form a joint stock company.

1. The transfer of ownership of property or businesses from a government to a privately owned entity.

2. The transition from a publicly traded and owned company to a company which is privately owned and no longer trades publicly on a stock exchange. When a publicly traded company becomes private, investors can no longer purchase a stake in that company.

IMPORTANT REASONS FOR PRIVATISATION IN INDIA

1. Releasing the large amount of public resources locked up in non-strategic PSEs, for redeployment in areas that are much higher on the social priority, such as, basic health, family welfare, primary education and social and essential infrastructure.

2. Stemming further outflow of these scarce public resources sustaining the unviable non strategic PSEs.

3. Reducing the public debt that is threatening to assume unmanageable proportions.

4. Transferring the commercial risk, to which the taxpayers' money locked up in the public sector, is exposed, to the private sector where ever the private sector is willing and able to stepin.

5. Releasing other tangible and intangible resources, such as, large manpower currently locked up in managing the PSEs, and their time and energy, for redeployment in high priority social sectors which are short of such resources.

The need for privatisation arises out of the situations like

1. Control of budgetary deficit
2. Resource mobilisation
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3. Reduction of extra tax burden

4. Flow of funds to public
5. Production increase
6. Retrieval of civil servants from public enterprises to better utilisation in governance and administration.
7. Increase in competition, both in domestic as well as international markets.

Based on the recommendations of the Arjun Sen Gupta Committee on Public Sector Enterprise, the privatisation of public enterprises in India can take one of the following forms:

1. Complete privatisation
2. Partial privatisation
3. Privatisation of the management
4. Creating competitive conditions
5. Deregulation
6. Delicensing and
7. Disinvestments and other liberalisation measures.

As a consequence, they must also follow the trend of the overall economic policy, which, in the current context, is heavily tilted towards liberalisation, democratisation, marketisation and globalisation, and a decisive move away from extensive social controls.

BENEFITS OF DISINVESTMENT

1. Disinvestment would expose the public sector companies to market discipline, thereby forcing them to become more efficient and survive on their own financial and economic strength or cease.

2. Disinvestment would result in wider distribution of wealth through offering of shares of privatised companies to small investors and employees.

3. Disinvestment would have a beneficial effect on the capital market, the increase in floating stock would give the market more depth and liquidity, give investors easier exit option, help in establishing more accurate benchmarks for valuation and pricing, and facilitate raising of funds by the privatised companies for their projects of expansion, in future.

4. Opening up the public sector to appropriate private investment would increase economic activity and have an overall beneficial effect on the economy, employment and tax revenues in the medium to long term.

USES

1. Development would be faster(due to competition with the other private parties)
2. Innovative solutions (due to again competition with the other private parties)
3. Effective & time bound results
4. Cost cuttings
5. Improves quality in work
6. In turn more services to public are possible

7. Increase the productivity
8. Significant Growth in the business
9. Controlled monitoring of public property gives public in turn good services.

ADVANTAGES OF PRIVATISATION

1. Helpful in increase competition and efficiency: Privatisation is helpful in increasing competition and efficiency of business enterprises. Lack of competition is a major reason of inefficiency of public enterprises. Privatisation of public enterprises enhances the competition and efficiency of the business enterprises.

2. Optimum utilisation of capital: Optimum utilisation of capital and resources is possible in business enterprises with the introduction of privatisation because the management works with the objective of profit maximisation.

3. Minimisation of cost and wastages: Profit maximisation is one of the main principles of private enterprises. Therefore, privatisation of public sector enterprises has to make all the efforts to minimise costs and wastages.

4. Production in the fiscal burden: Mounting losses of public enterprises put a fiscal burden on the state.The introduction of privatisation can relieve the state by this burden.

5. Better management: By reducing the size of the bureaucracy, it enables better management and control in the business enterprises.

6. Creation of employment opportunities: The private sector can create much better economic and industrial environment that increases output and employment opportunities.

7. Quick decision making: Quick decision making is backbone of a successful business enterprise, the element of privatisation with their delegated authority and command structure is helpful in quick decision making.

DISADVANTAGES OF PRIVATISATION

1. Privatisation may result in concentration of economic power in few hands. It may lead to dominance of the few big companies over the country's economic system.

2. The main objective of privatisation is profit maximisation, so it ignores social welfare.

3. In order to achieve high profits, the private enterprises use capital intensive techniques as it may become a reason of unemployment in society.

4. Privatisation may result in unhealthy and restrictive trade practices in the economy.

GLOBALISATION

According to IMF Globalisation is, "the growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology. "The major causes of globalisation are more financial benefits, reduction in cost of production, shrinking of time and distance, growth

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opportunities of foreign markets, demand constraints in the domestic markets, etc. The main features of current globalisation are:

- Multinational corporations integrating their production and marketing, dominating food production.
- **The World Trade Organisation:** The first multilateral organization with authority to enforce national government's' compliance with rules.

Globalization is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure.

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, *Liberalization, Privatization and Globalization* (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient.

Globalization (or globalisation) is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. Put in simple terms, globalization refers to processes that increase world-wide exchanges of national and cultural resources. Advances in transportation and telecommunications infrastructure, including the rise of the Internet, are major factors in globalization, generating further interdependence of economic and cultural activities.

Though several scholars place the origins of globalization in modern times, others trace its history long before the European age of discovery and voyages to the New World. Some even trace the origins to the third millennium BCE. Since the beginning of the 20th century, the pace of globalization has intensified at a rapid rate, especially during the Post Cold War era.

The term globalization has been in increasing use since the mid-1980s and especially since the mid1990s. In 2000, the International Monetary Fund (IMF) identified four basic aspects of globalization trade and transactions, capital and investment movements, migration and movement of people and the dissemination of knowledge. Further, environmental challenges such as climate change, cross boundary water and air pollution, and over-fishing of the ocean are linked with globalization.

Globalizing processes affect and are affected by business and work organization, economics, socio-cultural resources, and the natural environment.

There are two types of integration—negative and positive. **Negative integration** is the breaking down of trade barriers or protective barriers such as tariffs and quotas. **Positive integration** on the other hand aims at standardizing international economic laws and policies. For example, a country which has its own policies on taxation trades with a country with its own set of policies on tariffs. Likewise, these countries have their own policies on tariffs. With positive integration (and the continuing growth of the influence of globalization), these countries will work on having similar or identical policies on tariffs.

EFFECTS OF GLOBALIZATION

According to economists, there are a lot of global events connected with globalization and integration. It is easy to identify the changes brought by globalization.

1. Improvement of international trade: Because of globalization, the number of countries where products can be sold or purchased has increased dramatically.

2. Technological progress: Because of the need to compete and be competitive globally, Governments have upgraded their level of technology.

3. Increasing influence of multinational companies: A company that has subsidiaries in various countries is called a multinational. Often, the head office is found in the country where the company was established.

4. Power of the WTO, IMF, and WB: According to experts, another effect of globalization is the strengthening power and influence of international institutions such as the World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank (WB).

5. Greater mobility of human resources across countries: Globalization allows countries to source their manpower in countries with cheap labour.

6. Greater outsourcing of business processes to other countries: China, India, and the Philippines are tremendously benefiting from this trend of global business outsourcing. Global companies in the US and Europe take advantage of the cheaper labor and highly-skilled workers that countries like India and the Philippines can offer

7. Civil society: An important trend in globalization is the increasing influence and broadening scope of the global civil society.

The spread of globalization led to greater influence of NGOs especially in areas of great concern like human rights, the environment, children, and workers. Together with the growing influence of NGOs is the increasing power of multinational corporations. If the trend continues, globalization will pave the way for the realization of the full potential of these two important global actors.

The Important Reform Measures (Step Towards Liberalization Privatization and Globalization)

Indian economy was in deep crisis in July 1991, when foreign currency reserves had plummeted to almost $1 billion; Inflation had roared to an annual rate of 17 percent; fiscal deficit was very high and had become unsustainable; foreign investors and NRIs had lost confidence in Indian Economy. Capital was flying out of the country and we were close to defaulting on loans. Along with these bottlenecks at home, many unforeseeable changes swept the economies of nations in Western and Eastern Europe, South East Asia, Latin America and elsewhere, around the same time. These were the economic compulsions at home and abroad that called for a complete overhauling of our economic policies and programs. Major measures initiated as a part of the liberalization and globalization strategy in the early nineties included the following:

DEVALUATION

The first step towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. In fact, this measure was taken in order to resolve the BOP crisis

DISINVESTMENT

In order to make the process of globalization smooth, privatization and liberalization policies are moving along as well. *Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sector*

Why do Companies go Global

There are several reasons why companies go global. The primary motive for going global is that there is money in the overseas markets.

The MNCs from the laid-the US, Europe and Japan - have huge assets and more than quarter of these assets are found in foreign markets.

The other reasons for seeking international markets are:

1. One reason could be the rapid shrinking of time and distance across the globe thanks to faster communication, speedier transportation, growing financial flows and rapid technological changes.

2. It is being realised that the domestic markets are no longer adequate and rich. Japanese have flooded the US market with automobiles and electronics because the home market was not large enough to absorb whatever was produced. Some European companies have gone global for similar reasons.

3. Raymond Vernon has propounded a theory explaining why companies go international. Though propounded in the late 1960s, Vernon's theory is relevant even today. Called product-cycle theory, Vernon's hypothesis proceeds on the following lines.

SECOND GENERATION REFORMS

In order to control the situation and to save the economy from the brink of diaster, the new Government initiated various measures in economy.

All these reforms included:

(i) The public sector reforms to attain viability and improvements in its performance.

(ii) The industrial policy reforms for providing greater competitive structure to industry;

(iii) Trade policy reforms for providing a stimulus to export and to contain BOP crisis; and

(iv) Macro economic stabilisation through fiscal corrections.

Following were the reforms undertaken:

(i) To provide proper base for agricultural and rural development.

(ii) To increase exports and foreign investment.

(iii) To remove hardships of power, road telecommunication, railway and air services.

(iv) To enhance the revolutionary capacity of information technology, biotechnology and knowledge based industries.

(v) To modernise leather, agro processing and small industries.

(vi) To give prominence to the poor class and other social services.

(vii) To provide fiscal discipline.

INDUSTRIAL POLICY AND IMPLEMENTATION

INDUSTRIAL POLICY RESOLUTION, 1948

Our first Prime Minister Pt. Jawaharlal Nehru declared the industrial policy of the Government of India on April 6, 1948. The main features of the policy were:

1. The Indian industry was divided into four categories:

(a) First category included the manufacturing of arms and ammunition, the production and control of atomic energy and the ownership and management of railway transport.

(b) The second category covered coal, iron and steel, aircraft manufacture, ship building, manufacture of telephone, telegraphs and wireless apparatus, etc. The State would have the exclusive right in setting up new undertakings included in this category; however existing units of such industries would continue to be run by the private industrial undertakings.

(c) The third category consisted of private industries of basic importance that Central Government felt necessary to regulate but ownership of these industries was left in private hands. Such industries were salt, automobiles, tractors, electric engineering, heavy machinery, machine tools, heavy chemicals, fertilisers, non-ferrous metals, paper, cement, newsprint, air and sea transport, etc.

(d) The fourth category comprised of the remainder of the industrial field which was kept open to private sector including both individual as well as cooperative. The State control over these industries would be of a general nature only.

2. The policy laid special emphasis on the development of cottage and small scale industries.

3. The government accepted the investment of foreign capital under complete regulation and major control.

4. The policy laid the foundation of mixed economy.

INDUSTRIAL POLICY RESOLUTION, 1956

The main features were:

1. The classification of the entire industrial sector into three schedules:

(a) Schedule A - This consisted of 17 such industries which required enormous amount of capital for their development and their exclusive responsibility of the state.

(b) Schedule B - This consisted of 12 such industries which were progressively state owned.

(c) Schedule C - All remaining industries came under this category.

2. The State would continue to provide fair and non-discriminatory treatment to both public and private enterprises when both exist side by side in a particular industry.

3. The State would continue to support village, cottage and small scale industries by restricting the volume of production in the large scale industrial units by differential taxation or by direct subsidies.

Macro environment

4. Emphasis was placed on the importance of decentralisation of the management of the Public enterprises.

5. The Government insisted upon the progressive Indianisation of foreign concerns.

INDUSTRIAL POLICY, 1977

The policy of 1977 made some radical changes in the old one. Salient features of this policy were as follows:

1. The main thrust was on effective promotion of cottage and small industries widely dispersed in rural areas and small towns.

2. A distinct role of large scale industries had been recognized in this policy. Basic industries, capital goods industries and high technology industries were prescribed for the large sector.

3. Steps were taken to ensure that no unit of the same business group acquire a dominant and monopolistic position in the market.

4. Emphasis was put on reducing the occurrence of labour unrest and on worker's participation in management.

5. The objective of the licensing policy was to regulate the activities of large houses to being them in line with the country's socio-economic goals.

INDUSTRIAL POLICY, 1980

The following measures were suggested by the Industrial Policy of 1980:

1. A time bound programme was launched in order to revive the efficiency of public sector undertakings.

2. The Policy planned to integrate industrial development in the private sector by promoting the concept of economic federation.

3. It simplified the procedure for regularisation of unauthorised excess capacity. It, however, mentioned that FERA and MRTP companies would be considered on a selective basis.

4. The Government encouraged the merger of the sick units with those healthy units which were capable of managing the sick undertakings and restoring their viability.

5. It liberalised licensing for large and big businesses but wanted to promote large scale industries at the cost of small scale industries.

THE NEW INDUSTRIAL POLICY, JULY 1991

New industrial policy was applied on 24th July 1991. There were many amendments in this industrial policy. New industrial policy is very different from old industrial policy.

OBJECTIVES OF NEW INDUSTRIAL POLICY

1. Main objective of new industrial policy is to free industrial economy from unnecessary control of Indian administrators.

2. To reduce the weak points of different industries in India.

3. To start liberalization for connecting Indian Industries to foreign industries.

4. To remove the restrictions on direct foreign investment.

5. To remove the restrictions of MRTP act on domestic trades.
6. To try best to increase employment in industries.
7. To increase competitiveness in international trade.
8. To make the provision for increasing the profit of public organisations.
9. To 100% use of domestic resources of India.
10. To do more research for effective use of internal resources.

INDUSTRIAL GROWTH, ECONOMIC POLICY, INDUSTRIAL POLICY

This rise in growth in the resource intensive Manufacturing sector is enabled and facilitated by an ever-increasing rate of material use leading to manifold impacts to the environment. The cost of environmental damage has been estimated at approximately $32 billion as per figures identified by the National Productivity Council of India. The contribution of the manufacturing sector to environmental degradation primarily occurs during the following stages:

1. Procurement and use of natural resources
2. Industrial processes and activities
3. Product use and disposal

The government announced a New Industrial Policy on July 24, 1991. This new policy deregulates the industrial economy in a substantial manner.

The major objectives of new policy are to build on the gains already made, correct the distortions or weaknesses that might have crept in, maintain a sustained growth in productivity and gainful employment, and attain international competitiveness.

The major provisions of New Industrial Policy are given below:

1. Abolition of industrial licensing: The Industrial Policy 1991 abolished licensing for all industrial projects except 18 industries. Further, according to amendments made in 1999, the list was reduced to only following 6 industries.

(i) Distillation and brewing of alcoholic drinks.

(ii) Cigars, cigarettes of tobacco and manufactured tobacco substitutes.

(iii) Electronic aerospace and defence equipment.

(iv) Industrial explosives, including detonating fuse, safety fuse, gun powder and matches.

(v) Hazardous chemicals.

(vi) Drugs and pharmaceuticals.

All the industries except the above six industries has been liberated from the industrial licensing.

2. Dereservation of industries for public sector: The New Industrial Policy seeks to limit the role of public sector and encourage private sector's participation over a wide field of industry.

(a) Public sector's role diluted: It limited the role of public sector to only industries out of 17 reserved industries. Later, only following four industries were reserved for the public sector:

Macro environment

(i) defence production

(ii) atomic energy

(iii) railway

(iv) minerals used in generation of atomic energy.

(b) Scheme for rehabilitation and revival of sick industrial units: Board of Industrial and Financial Reconstruction (BIFR) was created for formulation of schemes for rehabilitation and revival of sick and loss making public enterprises.

(c) Disinvestment: As a measure to raise large resources and introduce wider private participation in public sector, the Government would sell a part of its shareholding of these enterprises to private sector.

(d) Greater autonomy: The New Industrial Policy seeks to give greater autonomy to the public sector enterprises in their day to day working.

3. Liberalised policy toward foreign capital and technology: The policy made several provisions and technology into India.

(i) It made provision for relaxation in the upper limit of foreign investment. The maximum limit of foreign investment. The maximum limit of foreign equity participation was raised to 51% from 40% in 34 specified industries.

(ii) It made provision for automatic permission for foreign technology agreements provided the agreements involved a lumpsum payment of upto 1 crore and royalty upto 5% on domestic sales and 8% on exports.

4. Changes in MRTP act: According to New Industrial Policy, it is not mandatory for the large industrial houses to seek prior clearance from MRTP Commission for their new projects.

INDUSTRIAL GROWTH AND STRUCTURAL CHANGES

The Industrial Policy has been an important instrument to help implement the economic growth strategy.

The salient features of planning and development of industries in India are the following:

(i) Dominance of public sector in the key industries

(ii) Synchronised development of small and large industries.

(iii) Special assistance for the development of small industries

(iv) Encouragement of the co-operative sector.

(v) Encouragement of import substituting and export promoting industries.

(vi) Balanced development of capital goods and consumer goods industries.

(vii) Encouragement of new entrepreneurs and diffusion of ownership.

(viii) Prevention of concentration of economic power.

(ix) Achievement of self-reliance.

(x) Accelerated development of backward areas and achievement of balanced regional development

(xi) Synchronised development of industrial, agricultural and other sectors.

ENVIRONMENT ANALYSIS

The following are the techniques of environment analysis :

1. SWOT Analysis: It is a systematic identification or analysis of strengths, weaknesses, opportunities and Threats in the environment that exist to understand the impact of internal and external environment.

This analysis helps the organization to analysis the existing strategies and to develop new/ serviced strategies, to set objectives the organization is intending to do and monitoring the results, ete.,

2. PEST Analysis : (Political, Economic, Social, Technological, Environment and Legal Analysis)

PEST analysis is a Strategic planning technique that provides a useful fronework for analysising the environmental pressures on an organization.

3. Industry Analysis: This analysis helps the business to understand various economic pieces of the market place and how these pieces may be used to gain a competitive advantage.

4. Competitor's Analysis: An important aspect in formulating business strategies is to identify the forces affecting the competitive dynamics of an industry by analysising the threat of new market entrants, the threat of substitute products, the change in technology the power of sapphires etc.,

5. QUEST Analysis: Quest analysis is the quick environmental scanning technique which helps in the analysis to observe the major events and trends in the industry, to identify feasible strategic options to deal with the evolving environment and to observe the major events and trends in the industry.

THE ECONOMIC SYSTEM BROADLY DIVIDED UNDER THE FOLLOWING THREE CATEGORIES

1. Capitalism : Capitalism includes all farms, factories and other means of production which are the properly of private industries and firms.

Capitalism which is adherers known as Free enterprise economy or free market economy, besides free use of their property. every person is free to take up any type of production he likes and is free to enter into any agreement with other competitors for profits.

Characteristics of Capitalism

- Free mechanism
- Freedom of Enterprise
- Profit Motive
- Private ownership
- Consumers Sovereignty.

Merits of Capitalism

- Soifable to democratic set up.
- Efficient use of resource.

Macro environment

- Diversification and increase in production

- Encourages development

Demists of Capitalism

- Problem of unemployment
- Too much wastage
- Economic and Social inequalities.
- Class Conflict and exploitation.

2. Socialism: Socialism is an economic organization of society in which the material means of production are owned by the whole community and operated by representative of the people who are responsible to the community according to a general plan, all the members of the community being entitled to the benefits from results of such socialized, planned production, on the basis of equal rights. Socialism is an alterative to capitalism. The socialist economic system believes in social ownership of property and production resources, central planning and government control and social welfare activities.

Characteristics of Socialism

- No private enterprise
- Laborers are supreme
- Classless Society
- Full employment
- Government ownership
- Absence of competition

Merits of Socialism

- Rapid Economic development
- No Exploitation
- Proper allocation of resources.
- Reduction in economic and social inequalities.
- Social welfare.

Demerits of Socialism

- Lack of economic freedom.
- Centralization of economic and political powers in state.
- Lack of incentives and initiatives.
- Reduction of efficiency and production

3. Mixed Economy: Mixed economy is one in which the private and the public sectors actively function side by side. Mixed economy is considered to be an important instruments of economic growth. It is the mixture of both capitalism and socialism. Both private and public sectors play key roles in the development of the country.

Characteristics of Mixed Economy

- Co-existence of public and private sector
- Classification of Industries.
- Profit motive - cum social welfare
- Economic planning

- Individual property right is granted.

Merits of Mixed Economy

- Welfare of people
- Both public and private sector work together.
- Complete economic freedom.
- Efficiency of work is observed.

Demerits of Mixed Economy

- Lack of freedom to private sector
- No co-operation between two sectors.
- No proper functioning.
- Threat of Nationalization.

Macro environment

GLOSSARY

BUSINESS ENVIRONMENT

Business environment consist of all those factors that have a bearing on the business. The term business environment implies those external forces, factors and institutions that are beyond the control of individual business organisations and their management and affect the business enterprise. It implies all external forces within which a business enterprise operates. Business environment influence the functioning of the business system. Thus, business environment may be defined as all those conditions and forces which are external to the business and are beyond the individual business unit, but it operates within it.

COMPETITION POLICY

A good and effective competition policy with the objective of restraining the emergence of monopolies and bringing in a competitive market that would ensure benefits to the consumers and overall economic efficiency, and at the same time take cognizance of the specific needs of a developing country like India, should have the following characteristics:

It should be capable of controlling the misuse of the market power of dominant firms. It should have a clear perception of dominance and should develop unambiguous criteria for determining the abuse of dominance.

It should be able to identify the anti-competitive effects of mergers and acquisitions and provide aprescription to deal with such effects.

It should check barriers to entry, subject to the provisions of industrial policy.

ECONOMIC ENVIRONMENT

Economic Environment refers to all those economic factors, which have a bearing on the functioning of a business. Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods. Naturally, the dependence of business on the economic environment is total and is not surprising because, as it is rightly said, business is one unit of the total economy.

ECONOMIC PLANNING

Economic planning is made for reducing economic risks. Under this planning, we can select best alternative for increasing the economic strength of company. Economic planning's other name is central planning and central economic planning. In economic planning, we have to make plan regarding optimum use of our resources in producing of goods. We also have to make plan to produce optimum quantity of output. We can use economic planning at small level and at large level like investment decisions of Govt.

ENVIRONMENTAL PROTECTION

Environmental protection is influenced by three interwoven factors: environmental legislation, ethics and education. Each of these factors plays its part in influencing national-level environmental decisions and personal-level environmental values and behaviours. For environmental protection to become a reality, it is important for societies to develop each of these areas that, together, will inform and drive environmental decisions. Protection of the environment is needed due to various human activities. Waste production, air pollution, and loss of biodiversity (resulting from the introduction of invasive species and species extinction) are some of the issues related to environmental protection.

GLOBALIZATION

Globalization is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure. Globalization is the free movement of goods, services and people across the world in a seamless and integrated manner. Globalization can be thought of to be the result of the opening up of the global economy and the concomitant increase in trade between nations. In other words, when countries that were hitherto closed to trade and foreign investment open up their economies and go global, the result is an increasing interconnectedness and integration of the economies of the world. This is a brief introduction to globalization.

INDUSTRIAL GROWTH

Business environment and industrial growth are directly related to each other. Stability of the former ensures fast pace of the latter. As a matter of fact every kind of growth needs a congenial surroundings and support from all the sides. If one aspect of a scenario has any kind of uncertainty, the growth would be difficult to make there. To move high it is necessary that you have all the accessories to fly. Same is the case with growth, you can't move up if you don't have all the basic equipment to do so.

LEGAL ENVIRONMENT

Legal Environment is the result of government intervention in the economic and business spheres. A business has to operate within the framework of regulations and legal provisions created by legal environment.

Thus, legal environment is the net result of various laws, rules procedures and regulations made by the government in regard to the formation and operation of business enterprises. Legal environment of business means all factors relating to laws and legal orders which affect business and its working.

Business must be operated under the rules and regulation of different laws of India.

LIBERALIZATION

Macro-environment

Liberalization (or liberalisation) refers to a relaxation of previous government restrictions, usually in areas of social or economic policy. In some contexts this process or concept is often, but not always, referred to as deregulation. In the arena of social policy it may refer to a relaxation of laws restricting for example divorce, abortion, or drugs. Most often, the term is used to refer to economic liberalization, especially trade liberalization or capital market liberalization. It refers to a relaxation of previous government restrictions, usually in areas of social or economic policy.

MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT, 1969

The Monopolies and Restrictive Trade Practices Act, 1969, aims to prevent concentration of economic power to the common detriment, provide for control of monopolies and probation of monopolistic, restrictive and unfair trade practice, and protect consumer interest. Monopolistic trade practice is that which represents abuse of market power in the production and marketing of goods and services by eliminating potential competitors from market and taking advantage of the control over the market by charging unreasonably high prices, preventing or reducing competition, limiting technical development, deteriorating product quality or by adopting unfair or deceptive trade practices.

NEW INDUSTRIAL POLICY, JULY 1991

The government announced a New Industrial Policy on July 24, 1991. This new policy deregulates the industrial economy in a substantial manner. The major objectives of new policy are to build on the gains already made, correct the distortions or weaknesses that might have crept in, maintain a sustained growth in productivity and gainful employment, and attain international competitiveness.

PRIVATIZATION

It is the process of transferring ownership of a business, enterprise, agency, public service or public property from the public sector (a government) to the private sector, either to a business that operate for a profit or to a non-profit organization. It may also mean government outsourcing of services or functions to private firms, e.g. revenue collection, law enforcement, and prison management.

Privatization has also been used to describe two unrelated transactions. The first is the buying of all outstanding shares of a publicly traded company by a single entity, taking the company private. This is often described as private equity. The second is a demutualization of a mutual organization or cooperative to form a joint stock company.

THE CONSUMER PROTECTION ACT, 1986

Consumer Protection Act, 1986 is an act of Parliament of India enacted in 1986 to protect interests of consumers in India. It makes provision for the establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matters connected therewith. An Act to provide for better protection of the interests of consumers and for that purpose to make provision for the establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matters connected therewith.

WARM UP QUESTIONS

1. Environmental degradation does not consist of
- (a) problem of overgrasing and ecological degradation
- (b) land degradation and soil erosion
- (c) floods
- (d) None of the above

Ans: (d)

2. Which one of the following is not an element of legal environment?
- (a) Act of Parliamentarians in Lok Sabha
- (b) Indian Contract Act 1872
- (c) Indian Partnership Act 1932
- (d) Negotiable Instruments Act, 1881

Ans: (a)

3. The other name of population ecology model is
- (a) population selection model
- (b) Natural selection model
- (c) Natural ecology model
- (d) None of these

Ans: (b)

4. Which of the Management sets the company's mission, objectives, broad strategies and policies?
- (a) Top Management
- (b) Mid-level Management
- (c) Low-level Management
- (d) None of these

Ans: (a)

5. Which one of the following is not an example of a business organisation?
- (a) An employee
- (b) A sole trader
- (c) A limited liability company
- (d) A limited liability partnership

Ans: (a)

6. Which one of the following is not the financial factor
- (a) financial policies (b) financial position
- (c) brand equity (d) None of these

Ans: (c)

7. The role of consumerism has
- (a) consumer education
- (b) product rating
- (c) liaison with government and with producers
- (d) All of these

Ans: (d)

8. The following is / are the weaknesses of earlier approach to industrial development
- (a) it was not fully planned
- (b) it was not efficiently implemented
- (c) both (a) and (b)
- (d) neither (a) nor (b)

Ans: (c)

9. The industrial growth rate during seventh five year plan is
- (a) 6% p.a. (b) 9% p.a.
- (c) 8.5% p.a. (d) 9.5% p.a.

Ans: (c)

10. The full form of BIFR is
- (a) Board of Investigator for Rural Industry
- (b) Board of Industry and foreign Regulation
- (c) Board for Industrial and Financial Reconstruction
- (d) None of these

Ans: (c)

11. 'A good environment is a good business' is said by
- (a) Dr.S.S.Rao
- (b) Dr.M.Singh
- (c) Dr.M.S.Swaminathan
- (d) Dr.R.Rajan

Ans: (c)

12. 'SAPTA' is related to
- (a) Trade (b) security
- (c) education (d) environment

Ans: (a)

13. In which year, does the Environemtn Protection Act came into force
(a) 1986 (b) 1987
(c) 1988 (d) 1989

Ans: (a)

14. Which one of the following is a component of social cultural environment?
(a) Education
(b) Agriculture
(c) Population
(d) Research and Development

Ans: (a)

15. Which of the following is / are covers the Environment Protection Act, 1986
(a) Air pollution (b) Solid wastage
(c) Water pollution (d) All of these

Ans: (d)

16. On which of the following does the term globalisation used to describe the process of removal of restrictions
(a) Foreign Trade (b) Investment
(c) both (a) and (b) (d) Neither (a) nor (b)

Ans: (c)

17. Laissez Faire policy is adopted in
(a) Socialistic economic system
(b) Capitalistic economic system
(c) Mixed economic system
(d) None of these

Ans: (b)

18. Which of the following is / are has been entrusted with the responsibility of developing and supporting small business?
(a) IDBI (b) NABARD
(c) RBI (d) SIDBI

Ans: (d)

19. What does SEZ stands for
(a) Small Entrepreneurship Zone
(b) Special Entrepreneurship zone
(c) Sick Economic Zone
(d) Special Economic Zone

Ans: (d)

20. Industrial relations consists of the relations between
(a) State and Management
(b) Union and Management
(c) Employer and Employees
(d) None of these

Ans: (c)

21. Minimum wages are fixed by
(a) employees
(b) state governments
(c) trade unions
(d) court of law

Ans: (b)

22. Entrepreneur is a person who
(a) Initiates Business
(b) Invest Capital
(c) Manages business
(d) All of these

Ans: (d)

23. For achieving social justice growth is
(a) requisite
(b) prerequisite
(c) important feature
(d) None of these

Ans: (b)

24. Competitors, customers and public form part of
(a) Micro Environment
(b) Macro Environment
(c) business necessities
(d) None of these

Ans: (a)

25. Focus on Social Environment is related to
(a) Unity of Direction
(b) Unity of Command
(c) Human relations
(d) None of these

Ans: (c)

26. PLC is
(a) Private Limited Company
(b) Public Limited Company

(c) Private Licensed Company
(d) Public Licensed Company

Ans: (b)

27. An essential feature of Economic planning is
(a) socialist economy
(b) capitalist economy
(c) mixed economy
(d) dual economy

Ans: (a)

28. CENVAT is associated with
(a) Direct tax (b) Indirect tax
(c) Income tax (d) None of these

Ans: (b)

29. The National Stock Exchange of India is certified by
(a) Companies Act (b) SEBI
(c) RBI (d) Finance Ministry

Ans: (d)

30. FEMA (The Foreign Exchange Management Act) was implemented in the year
(a) 1996 (b) 1998
(c) 1997 (d) 1999

Ans: (d)

31. In which year the department of Industrial Policy and Promotion was established
(a) 1990 (b) 1991
(c) 1994 (d) 1995

Ans: (d)

32. FIPB is
(a) Foreign Investment Promotion Board
(b) Foreign Investment Portfolio Board
(c) Foreign Investment Portfolio Base
(d) Foreign Institution Primary Branch

Ans: (a)

33. The main security guard of International trade is
(a) IMF
(b) WTO
(c) World bank
(d) None of these

Ans: (b)

34. Which of the following is for removing barriers or restrictions set by the government
(a) globalisation
(b) liberalisation
(c) privatisation
(d) None of these

Ans: (b)

35. The Partnership Act came into Force from
(a) 1932 (b) 1935
(c) 1956 (d) 1970

Ans: (a)

36. Indian Mercantile Law is based on
(a) American Law
(b) European Law
(c) English Mercantile law
(d) Japani Law

Ans: (c)

37. An Agency can be terminated by
(a) Agreement
(b) By Notice
(c) Revocation by the Principal
(d) On Insolvency of the Principal

Ans: (d)

38. Which of the following is a limitation to Socialism
(a) Full employment
(b) Production Planning
(c) Bureaucratic tendency
(d) Maximum use of resources

Ans: (c)

39. An economic system consists of
(a) labour
(b) supplier
(c) owner
(d) All of these

Ans: (d)

40. Which one of the following is not an advantage of capitalism?
(a) Capital formation
(b) Adaptability
(c) Economic Inequalities
(d) Monopolistic Profit

Ans: (c)

41. FIIA is
(a) Financial Investment Institutions Association
(b) Foreign Investment Implementation Authority
(c) Financial Inestor Individual Account
(d) Financial Intermediary Investment Agreement

Ans: (b)

42. Which of the environment factor is an example of tax jurisdiction
(a) economic
(b) social
(c) legal
(d) political

Ans: (c)

43. An Agreement enforceable by law is called
(a) void contract
(b) voidable contract
(c) illegal agreement
(d) valid contract

Ans: (d)

44. Which of the following is / are the characteristics of a Negotiable Instrument
(a) Easy transferability
(b) Notice of transfer not necessary
(c) Transferee can sue in his own name
(d) All of these

Ans: (d)

45. Which of the following is a part of Interest Rate Policy
(a) Monetary Policy
(b) Fiscal policy
(c) Industrial Policy
(d) None of these

Ans: (a)

46. The Minimum issued equity capital of a company should be
(a) 5 crores (b) 2 crores
(c) 6 crores (d) 10 crores

Ans: (a)

47. 15 Banks were Nationalised in the year?
(a) 1969 (b) 1979
(c) 1976 (d) 1966

Ans: (a)

48. Which of the following is / are kind(s) of Insurance?
(a) Life Insurance
(b) General Insurance
(c) Both (a) and (b)
(d) None of these

Ans: (c)

49. The Negotiable Instrument Act includes -
(a) cheque
(b) promissory note
(c) both (a) and (b)
(d) neither (a) nor (b)

Ans: (c)

50. The sale of Goods Act, 1930 covers
(a) goods
(b) gurantee
(c) money
(d) All of these

Ans: (d)

OBJECTIVE TYPE QUESTIONS

1. Which among the following is a factor affecting business environment?
(a) Human resources
(b) Management structure
(c) Suppliers
(d) All of the above

Exp: *The internal factors are generally regarded as controllable factors because the company has control over these factors, it can alter or modify such factors as its personnel, physical facilities, organization and functional means, such as marketing mix, to suit the environment.*

Ans: (d)

2. In the following which internal factor influence the strategy and other decisions of the business?
(a) Value system
(b) Mission and objective
(c) Management structure and nature
(d) All of the above

Exp: *The Internal Environment refers to all the factors within an organization. The factors are values of promoters, and shareholders, Mission and objectives, Management structure and Nature, Internal power relationship, Human Resources, Company Inwage and Brand Equity.*

Ans: (d)

3. A good environment is good business who said?
(a) Dr.M.S.Swaminathan
(b) Dr.S.S.Rao
(c) Dr.M.Singh
(d) Dr.R.Rajan

Exp: *A good Environment is good business was said by Dr.M.S.Swaminathan. Environment includes all factors with affects the business both internal as well as external.*

Ans: (a)

4. Which of the following is not a components of environment?
(a) Economical factors
(b) Geographical factors
(c) political factors
(d) none of these

Exp: *A company along with its macro environment operates in a large macro environment. It is generally, uncontrollable. They are economic, social/cultural/demographic, political, natural, Technological, Global and Legal factors.*

Ans: (d)

5. The Economic environment of a business includes
(a) Economic system
(b) Economic policies
(c) Economic conditions
(d) All of these

Exp: *The economic environment includes the structure and nature of the economy, the stage of development of the economy, economic resources, the level of income, the distribution of income and assets, global economic linkages, economic policies, etc.*

Ans: (d)

6. The new economic policy - 1991 was announced in
(a) June 1991
(b) June 1992
(c) July 1992
(d) July 1991

Exp: *The new industrial policy announced on July 24, 1991, which heralded the economic reforms in India, has enormously expanded the scope of the private sector by opening up most of the industries for the private sector and substantially dismantling the entry and growth restriction. The industrial policy reforms have reduced the industrial licensing requirements, removed restrictions on investment and expansion, and facilitated easy access to foreign technology and foreign direct investment.*

Ans: (a)

7. Administrative control contains
(a) Industrial Policy
(b) Economic Planning
(c) GNP
(d) GDP

Exp: *Direction or exercise of authority over subordinate or other organizations in respect* *to administration and support, including organization of service forces, control of resources, and equipment, personnel management and other matters not included in the operation missions of the subordinate / other organization.*

Ans: (a)

8. NFIA means
(a) New Factor income from abroad
(b) No factor income from abroad
(c) Net financial income from aims
(d) No Financial income from abroad

Exp: *Net factor income from abroad can be defined as an income that is earned in foreign countries. The income can also be non-residents in a country. It is used in calculating Gross National Products.*

Ans: (a)

9. Which tax is collected by panchayat?
(a) Sales Tax
(b) Custom Duty
(c) Land Revenue
(d) Tax on local fairs

Exp: *Panchayati Raj System is a three-tier system in the State with elected bodies at the village, Taluk and District levels. It ensures greater participation of people and more effective implementation of rural development programmes.*

Ans: (d)

10. The Industrial Policy Resolution was passed first in
(a) 1931
(b) 1952
(c) 1956
(d) 1948

Exp: *Our First Prime Minister Pt.Jawaharlal Nehru declared the individual policy of the Government of India on April 6, 1948.*

Ans: (d)

11. MRTP Act extends to whole country except
(a) Nagaland
(b) Jammu & Kashmir
(c) Meghalaya
(d) Tripura

Exp: *MRTP Act 1969 extends to whole country except Jammu & Kashmir . The objectives is to prevent the concentration of economic power to the common detriment and to control of monopolistic, restrictive and unfair trade practices which are prejudicial to public interest.*

Ans: (b)

12. Which of the following can be a cause of Industrial sickness?
(a) Bad Management
(b) Wrong selection of the project
(c) Faculty financial Management
(d) All the above

Exp: *Industrial sickness is a matter of serious national concern because besides affecting the owners, employees, creditors and suppliers, it causes wastage of national resources and social unrest. Industrial units may become sick at different stages and due to different reasons. Indeed, some industrial units are born sick, some achieve sickness and some have sickness thrust upon them.*

Ans: (d)

13. Which of the following is not the financial factor?
(a) Financial policies
(b) Brand equity
(c) Financial position
(d) Capital Structure

Exp: *The image of the company matters while raising finance, forming joint ventures or other alliances, soliciting marketing intermediaries, entering purchase or sale contracts, launching new products, etc.*

Ans: (b)

14. Those who supply the inputs like raw materials and components to the company are known as
(a) suppliers (b) customers
(c) consumers (d) competitors

Exp: *An important force in the micro environment of a company is the suppliers, i.e. those who supply the inputs like raw materials and components to the company. The importance of reliable source / sources of supply to the smooth functioning of the business is obvious.*

Ans: (a)

15. The consumer encounters the
(a) Brand comptetition
(b) Product from competition
(c) generic competition
(d) desire competition

Exp: *A firms competitors include not only the other firms which market the same or similar products but also all those who compete for the discretionary incomes of the consumers. This competition among these products may be described as various form of competition.*

Ans: (a)

16. A mixed economy is necessarily a .... economy
(a) controlled
(b) planned
(c) organised
(d) None of these

Exp: *India has adopted the mixed economy system which implies co-existence of public sector and private sector.*

Ans: (b)

17. What is the first phase of Industrial development?
(a) design
(b) surplus of technical skill
(c) planning
(d) motivation

Exp: *Planning must provide some basic concepts like objectives, policies, procedures, programs and budgets.*

Ans: (c)

18. What is the full form of IRDA?
(a) Industrial Regulation and Development Authority
(b) Insurance Regulation and Development Authority
(c) Indian Regulation and Development Authority
(d) Insurance Regulation Development Authority

Exp: *Insurance Regulatory and Development authority, name agency of Government of India for insurance sector supervision and development.*

Ans: (b)

19. By whom the rehabilitation packages suggested
(a) Policy Resolution of 1970
(b) M.R.T.P.
(c) I.R.D.A
(d) B.I.F.R.

Exp: *Board for Industrial and Financial Reconstruction (BIFR) is an agency of the government of India, to determine sickness of industrial companies and to assist in reviving those that may be viable and shutting down the others.*

Ans: (d)

20. Micro environment consist of
(a) suppliers
(b) marketing
(c) competitors
(d) all of the above

Exp: *Microenvironment is also known as the Task Environment and Operating Environment because the micro environmental forces have a direct bearing on the operations of the firm. The micro environment consist of the actors in the company's immediate environment that affect the performance of the company. These include the suppliers, marketing intermediaries, competitors, customers and the public.*

Ans: (d)

21. Macro environment consist of
(a) cultural forces
(b) technological forces
(c) demographic forces
(d) all the above

Exp: *The macro environment consist larger societal forces that affect all the actors in the company's micro environment – namely, the demographic, economic, natural, technical, political and cultural forces.*

Ans: (d)

22. When was the first five year plan launched?
(a) 1950 (b) 1952
(c) 1951 (d) 1953

Exp: *The 1st Five Year Plan was presented by Jawaharlal Nehru, who was the Prime Minister during that period. It was formulated for the execution of various plan between 1951 to 1956. The planning Commission was responsible for working out the plan.*

Ans: (c)

23. Environment is synonymous with
(a) task (b) relations
(c) people (d) situational variables

Ans: (d)

24. "Focus on Social environment" is related to
(a) unity of command
(b) human relations
(c) unity of directions
(d) all the above

Ans: (b)

25. Indian planning Commission was constituted is
(a) 1948
(b) 1949
(c) 1950
(d) 1951

Exp: *The Planning Commission was set up by a Resolution of the Government of India in March 1950 in pursuance of declared objectives of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resource of the country, increasing production and offering opportunities to all for employment in the service of the community.*

Ans: (c)

26. Corporate tax is
(a) Indirect tax
(b) Gift tax
(c) service tax
(d) Direct tax

Exp: *The levy placed on the profit of a firm, with different rates used for different levels of profits. Corporate taxes are taxes against profits earned by businesses during a given taxable period, they are generally applied to companies operating earnings, after expenses such as COGs, SG and A depreciation have been deducted from revenues.*

Ans: (d)

27. Where located the consumer guidance society of India
(a) Mumbai
(b) Delhi
(c) Pune
(d) Kolkata

Exp: *The Consumer Guidance Society of India is the first and foremost consumer body of the country. The Maharashtra State Government has entrusted CGSI to establish and manage. It is located in Mumbai.*

Ans: (a)

28. The Consumer Protection Act, 1986 came into the force on
(a) 1 July, 1987
(b) 1 July, 1986
(c) 1 June, 1986
(d) 1, June 1987

Exp: *The Consumer Protection Act, 1986 came into the force on 1st July, 1987 which provides for a system for the protection of consumer rights and the redressal of consumer disputes. The objective of the Act is to provide for the better protection of the interests of consumers and for that purpose to make provision for the establishment of consumer councils and authorities for the settlement of consumers disputes and for matters connected therewith.*

Ans: (a)

29. The Consumer Protection Act, 1986 applies to all goods and
(a) services
(b) all immovable property
(c) Indian Rs.
(d) Coins

Exp: *An act to provide for better protection of the interest of consumers and for that purpose to make provision for the establishment of consumer council. Save as otherwise expressly provided by the central government by notification, this Act shall apply to all goods and services.*

Ans: (a)

30. A central consumer protection council establishment by the
(a) State government
(b) Central government
(c) Parliament
(d) President of India

Exp: *Consumer protection Act provides for the establishment of a central consumer protection council by the central government, central council shall consist of the minister in charge of consumer affairs in the central government who shall be its chairman and such number of other official or non-official members representing such interests as may be prescribed.*

Ans: (b)

31. Which one of the following is not the characteristics of mixed economy?
(a) Public Interest
(b) Joint Sector
(c) Public control
(d) Economy Independency

Exp: *Mixed Economy comprises of both public and private sector undertaking of business and interest.*

Ans: (d)

32. Which one of the following is not means of water Transport in India?
(a) Inland water Transport
(b) Coastal transport
(c) Oceanic Transport
(d) Railway

Exp: *Water Transport in India means the goods transfer from one place to another place with the help of water and railway do not means of water transport.*

Ans: (d)

33. Match the group 'A' with group 'B'

Group A (Environmental factors)
(A) Economic environment
(B) political environment
(C) socio-cultural environment
(D) natural environment

Group B (Their features)
1. Role of judiciary
2. Culture create people
3. Growth strategy
4. Transport-depend on geographical factors

Codes

	(A)	(B)	(C)	(D)
(a)	2	1	3	4
(b)	1	2	3	4
(c)	3	1	2	4
(d)	4	1	3	2

Exp: *Political Environment means any business needs to monitor the changing political environment because political change can profoundly affect an organization.*

Economic Environment refers to all those economic factors which have bearing on the functioning of a business unit.

Culture represents Religion, language of any human being, social class comprises of income, occupation, location of residence.

Natural Environmental factors such as weather, climatic conditions, Rainfall, minerals, manufacturing activities also depend on the availability of condition of natural environment.

Ans: (c)

34. Which one of the feature is not covered under political environment?
(a) constitution of India
(b) political boundaries
(c) Direction of the Government
(d) Caste System.

Exp: *The political environment includes factors such as the characteristics and policies of the political parties, the nature of the constitution and government system and government environment encompassing the economic and business policies and regulations. These factors many vary considerably between different nations, between different provinces of the same nation and also overtime.*

Ans: (d)

35. Match the following

Group A (Economic system)
(A) capitalisam
(B) socialism
(C) communism
(D) mized

Group B (Features)
1. Profit recognised
2. public and private sector
3. No depreciation permitted
4. Managers are selected on the basis of ability

Codes

	(A)	(B)	(C)	(D)
(a)	1	2	4	3
(b)	4	1	3	2
(c)	4	2	3	1
(d)	1	2	3	4

Exp: *Capitalism economic system, production is carried out to maximize private profit, decisions regarding investment and the use of the means of production are determined by completing* *business owners. In a socialist economic system, production is carried out to directly satisfy economic demand by producing goods and services for use. Mixed economy is a hybrid that blends some aspects of both market and planned economics.*

Ans: (b)

36. The quorum of general meeting in case of a public limited company is
(a) 2 members (b) 8 members
(c) 4 members (d) 5 members

Exp: *A public limited company is a type of public company held by company. There is a minimum of seven members and maximum unlimited.*

Ans: (d)

37. Which one of the following is not most important documents of the company?
(a) Bin card
(b) prospectus
(c) Memorandum of Association
(d) Articles of Association

Exp: *A document that records the status of a good held in a stock room. A typical retailing business with a large stock room will use a bin card to record a running balance of stock on hand.*

Ans: (a)

38. The Competition Act enacted in ...... in India
(a) Dec. 2002
(b) Dec. 2003
(c) July 2002
(d) Dec. 2001

Exp: *Competition Act, 2002, a good and effective competition policy with the objective of restraining the emergence of monopolies and bringing in a competitive market that would ensure benefits to the consumers and over all economic efficiency.*

Ans: (a)

39. Hutch Essar was acquired by
(a) Bharti Airtel
(b) Reliance
(c) Vodafone
(d) Tata Mobile

Exp: *Vodafone buys Hutch-Essar for $19.3 bn.*

Ans: (c)

40. The Environment Protection Act came into force from
(a) 1986
(b) 1987
(c) 1988
(d) 1996

Exp: *The Environment (Protection) Act, 1986. An act to provide for the protection and improvement of environment and for matters connected there with whereas the decisions were taken at the united nations conference on the Human Environment.*

Ans: (a)

41. New Direct Tax code is an outcome of
(a) Central Budget 2006-07
(b) Central Budget 2008-09
(c) Railway Budget 2009-10
(d) Central Budget 2009-10

Exp: *The Direct Taxes code is said to replace the existing Indian Income Tax Act, 1961. The Government hopes that the DTC will improve the national economy by modernizing the country's tax system, removing tax distortions and by helping raise India's tax to GDP ratio.*

Ans: (d)

42. Which is the corporate citizen?
(a) Reliance Industries Ltd
(b) Ram
(c) Panchayat
(d) None of these

Exp: *The extent to which businesses are socially responsible for meeting legal, ethical and economic responsibilities placed on them by shareholders. The aim is for businesses to create higher standard of living and quality of life in the communities in which they operate, while still preserving profitability for shareholders.*

Ans: (a)

43. MRTP Act, 1969 consists
(a) Based on the pre-reforms scenario
(b) Based on the size as a factor
(c) competition offences implicit or not defined
(d) All of these

Exp: *The Monopolies and Restrictive Trade Practices Act, 1969 (MRTP) is an important piece of economic legislation designed to ensure that* *the operation of the economic system does not result in the concentration of economic power to the common detriment .*

Ans: (d)

44. Globalisation means
(a) adopting a global outlook
(b) earning profit form export
(c) setting of firms branches in other countries
(d) attracting foreign investments

Exp: *Globalization is "growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flows and also through the more rapid and wide spread diffusion of technology."*

Ans: (a)

45. Which Act of the government check restrictive trade?
(a) Industrial Policy Act, 1991
(b) MRTP Act
(c) FEMA
(d) FERA

Exp: *A restrictive trade practice is a trade practice which has the effect, actual or probable of restricting, lessening or destroying competition. Such trade practices may tend to obstruct the flow of production or to bring about manipulation of prices or conditions of delivery to the common detriment. MRTP Act of the government check restrictive trade.*

Ans: (b)

46. The era of liberalisation began in
(a) 1951
(b) 1980
(c) 1991
(d) 1960

Exp: *Liberalization means liberating the economy, trade and industry from unwanted restrictions. The era of liberalization began in 1991.*

Ans: (c)

47. District Commission decides the cases that involve
(a) Rs. 5 lakh
(b) less than Rs.3 lakh
(c) less than Rs.5 lakh
(d) More than Rs.5 lakh

Exp: *The District Forum shall consist of (a) a person who is, or has been, or is qualified to be a district judge nominated by the state government who shall be its president (b) a person of eminence in the field of education , trade or commerce and (©) a lady social worker. District Commission decides the cases that involve less than Rs.5 lakh.*

Ans: (c)

48. State Commission decides the cases worth
(a) Above Rs.10 lakh
(b) Rs.5 lakh to Rs.20 lakh
(c) Rs.20 lakh
(d) Below Rs. 10 Lakh

Exp: *Each state commission shall consist of a person who is or has been judge of High Court, appointed by the State government (one be president) and other two members (who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law commerce, accountancy, industry, public affairs or administration, one of whom shall be a women) state commission decides the cases worth Rs.5 lakh to Rs.20 lakh*

Ans: (b)

49. National Commission decides the cases worth
(a) Rs. 20 lakh
(b) above Rs.20 lakh
(c) Rs.20 lakh to 30 lakh
(d) above 30 lakh

Exp: *The National Commission shall consist of a person who is or who has been a judge of the Supreme Court appointed by the central Government who shall be president and other two members continue from point 48 within bracket. National Commission decides the cases worth above Rs.20 lakh.*

Ans: (b)

50. Mahalanobis Model of Planning laid greater emphasis on the development by
(a) agriculture
(b) heavy industries
(c) energy
(d) science and technology

Exp: *The model was created as an analytical framework for India's second Five Year Plan in 1955 by appointment of Prime Minister Jawaharlal Nehru, as India felt there was a need to introduce a formal plan model after the First Five Year Plan.*

Ans: (b)

51. Which factor is not included in natural environment
(a) weather and climate condition
(b) port facilities
(c) educational level
(d) locational aspects

Exp: *Natural Environment is geographical factors like weather and climate condition, port facilities, etc. But educational level is not included in this environment.*

Ans: (c)

52. Entrepot trade refers to
(a) imports
(b) exports
(c) foreign trade
(d) goods imported for re-export

Exp: *Entrepot trade refers to goods imported from one countries and finished products are re-export to the same countries.*

Ans: (d)

53. Which of the following is not an objective of fiscal policy?
(a) full employment
(b) setting of heavy industries
(c) price stability
(d) Reduction in Economic inequality

Exp: *Government spending policies that influence macroeconomic conditions. These policies affect tax rates, interest rates and government spending in an effort to control.*

Ans: (b)

54. .... means transfer of ownership and management of an enterprise from the public sector to the private sector
(a) privatisation
(b) globalisation
(c) liberalisation
(d) All of these

Exp: *Privatisation means transfer of owernship and management of enterprise from the public sector to the private sector. It also means the withdrawal of the state from an industry or sector, partially or fully.*

Ans: (a)

55. The factors which constitute economic environment of business are
(a) industry
(b) agriculture
(c) infrastructure
(d) all of these

Exp: *economic factors includes the structure and nature of the economy, the stage of development of the economy, the level of income, the distribution of income, economic resources, economic policies, etc.*

Ans: (d)

56. The GATT was transformed into the World Trade Organisation (WTO) with effect from
(a) February 1994 (b) January 1996
(c) January 1995 (d) March 1995

Exp: *From the UR Agreement, GATT was converted from a provisional agreement into a formal international organization called World Trade Organization (WTO) with effect from January 1, 1995. WTO now serves as a single institutional frame work encompassing GATT and all the results of the Uruguary Round.*

Ans: (c)

57. Monetary policy refers to the steps taken by the .... to regulate the cost and supply of money and credit
(a) RBI
(b) Central Government
(c) Planning Commission
(d) all of these

Exp: *Monetary policy refers to the use of instruments within the control of the Central Bank to influence the level of aggregate demand for goods and services or to influence the trends in certain sectors of the economy. Monetary policy operates through varying the cost and availability of credit, these producing desired changes in the assets pattern of credit institutions, principally commercial banks.*

Ans: (a)

58. .... environment ultimately is the source and support of everything used by businesses.
(a) Economical
(b) political
(c) natural
(d) legal

Exp: *Natural Environment refers to the geographical and ecological factors, a business has to operate within the framework of regulation.*

Ans: (c)

59. GATT was born in
(a) 1946
(b) 1948
(c) 1950
(d) 1952

Exp: *GATT was a multi lateral agreement regulating international trade. GATT was signed in 1947 and it was replaced the WTO in 1995.*

Ans: (b)

60. Which of the following has been made the single regulator for venture capital funds?
(a) RBI
(b) SEBI
(c) IDBI
(d) IFCI

Exp: *SEBI is the single regulator for venture capital funds. Venture capital means the initial project with no funds can be helps by the various institution to promote the country development.*

Ans: (b)

61. The real determinant of the size of market in a country is
(a) income of its population
(b) its geographical area
(c) size of its population
(d) income of the government

Exp: *The real determinant by the size of market in a country is income of its population. The market size is developed with the population income.*

Ans: (a)

62. The objective of economic planning is
(a) Reduction of economic inequalities
(b) Attaining economic self-reliance
(c) Modernisation of various sectors
(d) All the above

Exp: *Economic planning does not mean simply a controlled economy in which, the government interferes in economic matters through fiscal and monetary policies. Objectives are increase production, achieve full employment, reduce inequalities of income and wealth.*

Ans: (d)

63. Which of the following can be a method of privatisation?
(a) Divestiture
(b) Denationalisation
(c) contracting
(d) all of these

Exp: *Privatisation has unrelated transaction, the first is the buying of all outstanding shares of a publicly traded company by a single entity, taking the company private. This is private equity. The second is a demutualization of a mutual organization or co-operative to form a joint stock company.*

Ans: (d)

64. Economic policies include
(a) Fiscal policy
(b) monetary policy
(c) trade policy
(d) all of the above

Exp: *Economic policies are framed by the government which can have a great impact on business. Economic policies are industrial policy, trade policy, foreign exchange policy, monetary policy, fiscal policy and foreign investment and technology policy.*

Ans: (d)

65. Which of the following is a major cause of globalisation
(a) Reduction in cost of production
(b) Opportunities of foreign markets
(c) More financial benefits
(d) All the above

Exp: *Globalisation is the growing economic inter-dependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology.*

Ans: (d)

66. Mission is a statement which defines the role that an organisation plays in a
(a) society (b) market
(c) capital (d) shop

Exp: *The company's priorities, direction of development, business philosophy, business policy are guided by the mission and objectives of the company.*

Ans: (a)

67. In the following which internal factors influence the strategy and other decisions of the business?
(a) value system
(b) mission and objective
(c) management structure and nature
(d) All the above

Exp: *Consumerism is a social force to make the business more honest, efficient, responsive, responsible and to pressurize the government to adopt the necessary measures to protect consumer interest by guaranteeing their legitimate rights. Consumers accept consumerism as a means of asserting and enjoying their rights.*

Ans: (d)

68. The competition which satisfy a particular category of desire is called
(a) brand competition
(b) product from competition
(c) generic competition
(d) none of these

Ans: (c)

69. The role of consumerism has
(a) consumer education
(b) product rating
(c) liaison with government and with producers
(d) all the above

Exp: *Consumerism as, "a social movement seeking to augment the rights and powers of the buyers in relation to sellers" consumerism, interpreted as a collective endeavour of the consumers to protect their interests, is a manifestation of the failure of the business, including that of the public sector and the government to guarantee and ensure the legitimate rights of the consumers.*

Ans: (d)

70. What is the full form of NTC?
(a) National Thermal Corporation
(b) National Textile Corporation
(c) Non-textile Corporation
(d) None of these

Exp: *National Textile Corporation is a company owned by the Indian government. The company was incorporated in April, 1968.*

Ans: (b)

71. Which law emphasised the importance of continuous development and expansion of export-oriented production?
(a) Export Policy resolution of 1970
(b) M.R.T.P.
(c) I.R.D.A.
(d) Company Act

Exp: *Export policy resolution of 1970, the law emphasized the importance of continuous development and expansion of export oriented production. After LGP, the export policy is resolute and goods are export to various countries.*

Ans: (a)

72. In the initial years of planning industrial development was largely based on
(a) export substitution
(b) import substitution
(c) transportation
(d) industrial growth

Exp: *Import substitution industrialization (ISI) is a trade and economic policy that advocates replacing foreign imports with domestic production. ISI is based on the premise that a country should attempt to reduce its foreign dependency through the local production of industrialized products. The term primarily refers to 20th-century development economics policies, although it has been advocated since the 18th century by economists such as Friedrich List.*

Ans: (b)

73. What is the full form of (SWOT)?
(a) Strengths, weaknesses, opportunities and threats
(b) software warehousing of threats
(c) Single optimization technique
(d) None of these

Exp: *SWOT Analysis is a useful technique for understanding your Strengths and Weaknesses, and for identifying both the Opportunities open to you and the threats to you. A SWOT analysis guides you to identify the positives and negatives inside your organization (S-W) and outside of it, in the external environment (O-T). Developing a full awareness of your situation can help with both strategic planning and decision-making.*

Ans: (a)

74. What are the factors which contribute to the business success
(a) marketing resources
(b) physical assets
(c) financial factors
(d) all the above

Exp: *The factors which contribute to the business success are marketing resources, physical assets and financial factors. Both internal and external factors are contribute to the business success.*

Ans: (d)

75. What do you mean by DGTD?
(a) Direcotr General of Trade development
(b) Director General of Total Development
(c) Director General of Technical development
(d) None of these

Ans: (c)

76. Match the following
(A)Focus on social Environment
(B) Focus on political environment
(C) One person one superior
(D)one head one plan
1. Traditional theorist
2. Human Relationists
3. Unity of Direction
4. Unity of command

Codes

	(A)	(B)	(C)	(D)
(a)	1	2	3	4
(b)	2	1	4	3
(c)	3	2	1	4
(d)	4	3	2	1

Ans: (b)

77. If a person does not contribute anything in the production process, if he can be removed from the work without affecting the productivity adversely he will be treated as
(a) educated unemployment
(b) open unemployment
(c) disguised unemployment
(d) frictional unemployment

Ans: (c)

78. .... is the different between the demand and the supply of a a country's currency on the foreign exchange market
(a) balance of payments
(b) budget estimates
(c) capital receipts
(d) public account

Exp: *Balance of payment is the difference between the demand and the supply of a country's currency on the foreign exchange market.*

Ans: (a)

79. ————is the process of analyzing the environment for the identification of factors which have impact on or have implication for the business.
(a) Forecasting
(b) Assessment
(c) Scanning
(d) None of the above

Exp: *Environmental scanning is aimed at alerting the organisation to potentially significant external impingement before it has fully formed or crystallized. Successful environment scanning draws attention to possible changes and events well before occurrence, allowing time for suitable strategic action.*

Ans: (c)

80. This is the Govt.'s strategy in respect of public expenditure and revenue which have a significant Impact on business.
(a) Monetary policy
(b) Fiscal Policy
(c) Trade policy
(d) Foreign exchange policy

Exp: *Fiscal policy is that part of government policy which is concerned with raising revenue through taxation and other means and deciding on the level and pattern of expenditure. Fiscal policy operates through the budget. The budget estimate of government expenditure and revenue* *for ensuring financial year, presented to parliament usually by the Finance Minister.*

Ans: (b)

81. ————is concerned with holding the balance between economic and social goals and between Individual and communal goals.

(a) Corporate management
(b) Corporate governance
(c) Business ethics
(d) None of the above

Exp: *Corporate governance is the process whereby people in power direct, monitor and lead corporations, and thereby either create, modify or destroy the structure and systems under which they operate. The concept is to ensure how effectively organisations are managed. It is concerned with the value, vision and visibility.*

Ans: (b)

82. CII stands for

(a) Confederation of Indian Industries
(b) Condition of Indian Industries
(c) Classes of Indian Industries
(d) Civilians of Indian Industries

Exp: *The Confederation of Indian Industry (CII) is a non-government, not-for-profit, industry-led and industry-managed organisation, seeking to play a proactive role in India's development process. The organisation works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.*

Ans: (a)

83. ———— is concerned with the withdrawal of State from an industry or sector, partially or fully

(a) Liberalization (b) Modernisation
(c) Privatization (d) Globalisation

Exp: *It is the process of transferring ownership of a business, enterprise, agency, public service or public property from the public sector (a government) to the private sector, either to a business that operate for a profit or to a non-profit organization. It may also mean government outsourcing of services or functions to private firms, e.g. revenue collection, law enforcement, and prison management.*

Ans: (c)

84. Which Act was replaced with the introduction of Competition Act 2002?

(a) FERA (b) MRTP
(c) POTA (d) FEMA

Exp: *MRTP replaced with the introduction of Competition Act, 2002. The objective of MRTP Act is to controlling monopolistic trade practices and regulating restrictive and unfair trade practices.*

Ans: (b)

85. Competition Act was enacted in the year———

(a) June 2002
(b) Dec. 2002
(c) January 1999
(d) June 2002

Exp: *A good and effective competition policy with the objective of restraining the emergence of monopolies and bringing in a competitive market that would ensure benefits to the consumers and overall economic efficiency, and at the same time take cognizance of the specific needs of a developing country like India.*

Ans: (b)

86. —————is the rate at which the central bank discounts or rediscounts the eligible bills.

(a) Credit rate
(b) Bank rate
(c) Bill rate
(d) Deposit rate

Exp: *The interest rate at which a nation's central bank lends money to domestic banks. Often these loans are very short in duration. Managing the bank rate is a preferred method by which central banks can regulate the level of economic activity. Lower bank rates can help to expand the economy, when unemployment is high, by lowering the cost of funds for borrowers. Conversely, higher bank rates help to reign in the economy, when inflation is higher than desired. The bank rate can also refer to the interest rate which banks charge customers on loans.*

Ans: (b)

87. Who is concerned with the auditing of the receipts and expenditure of the State and Central Govt.?

(a) Accountant General

(b) Comptroller and Auditor General
(c) Reserve Bank of India
(d) Chartered Accountant

Exp: *The Comptroller and Auditor General (CAG) of India is an authority, established by the Constitution of India under Chapter V, who audits all receipts and expenditure of the Government of India and the state governments, including those of bodies and authorities substantially financed by the government. The CAG is also the external auditor of government-owned companies*

Ans: (b)

88. Which policy is concerned with raising revenue through taxation and deciding on the level and Pattern of expenditure?
(a) Monetary policy
(b) Fiscal Policy
(c) Cash policy
(d) None of the above

Exp: *In economics and political science, fiscal policy is the use of government revenue collection (taxation) and expenditure (spending) to influence the economy. The two main instruments of fiscal policy are changes in the level and composition of taxation and government spending in various sectors.*

Ans: (b)

89. Who is responsible for presenting the Union Budget before the Parliament?
(a) Prime Minister
(b) Finance Minister
(c) RBI Governor
(d) Central Government

Exp: *Finance Minister is responsible for presenting the Union Budget before the parliament. Every year February last three day is for presentation of union budget.*

Ans: (b)

90. The Planning commission was set up in India in
(a) 1950
(b) 1951
(c) 1947
(d) 1952

Ans: (b)

91. Which Govt. introduced the concept of ‘ Rolling Plan’
(a) Manmohan Govt.
(b) Vajpayee
(c) Janatha Govt.
(d) Rao Govt.

Exp: *The”rolling plan”concept in national planning was introduced by Indira Gandhi the national front government and the janta government Rajiv Gandhi.*

Ans: (c)

92. GAAT was born in the year————————
(a) 1948 (b)1945
(c) 1947 (d) 1950

Exp: *The primary objective of GATT was to expand international trade by liberalising trade so as to bring about all-round economic prosperity. The main objective is to raising standard of living, ensuring fully employment, full use of resources and expansion of production and internation trade.*

Ans: (a)

93. ——————refers to regulation of credit for specific purpose or branches of economic activity?
(a) Credit control
(b) Selective control
(c) Bank control
(d) None of the above

Exp: *Bank Control applications provide access to your bank statements off line with automatic synchronisation between your device and banks or credit card providers. Bank Control supports payments to registered beneficiaries and transfers between accounts. Bank Control allows you to search for transactions and to view transactions within different date ranges.*

Ans: (b)

94. ——— is an Act to control and regulate the concentration of economic power to the common detriment?
(a) IRDA Act
(b) MRTP
(c) ILO Act
(d) FERA

Exp: *The Monopolies and Restrictive Trade Practices Act, 1969, aims to prevent concentration of economic power to the common detriment, provide for control of monopolies and probation of monopolistic, restrictive and unfair trade practice, and protect consumer interest.*

Ans: (b)

95. ——— economy is not planned, controlled or regulated by the Govt.

(a) Closed Economy

(b) Mixed Economy

(c) Free market economy

(d) None of these

Exp: *Free market economy is not planned, controlled or regulated by the government. The private sector enter into the market and run the country.*

Ans: (c)

96. TRYSEM was implemented during

(a) 2nd plan period

(b) 5th plan period

(c) 4th plan period

(d) 7th Plan period

Exp: *TRYSEM was initiated to provide basic technical and managerial skills to rural youth from families below the poverty line to enable them to take up self-employment and wage employment in the broad fields of agricultural and allied sectors, namely industries, services and business services.*

Ans: (b)

97. The concept of a firms 'license to operate' refers to

(a) A legal requirement for company registration

(b) An agreement recognizing trade unions

(c) The need for a firm to retain its legitimacy in the eyes of the public

(d) The qualifications needed by company directors

Exp: *Business licenses are permits issued by government agencies that allow individuals or companies to conduct business within the government's geographical jurisdiction. It is the authorization to start a business issued by the local government.[1] A single jurisdiction often requires multiple licenses that are issued by multiple government departments and agencies. Business licenses vary between countries, states, and local municipalities. There are often many licenses, registrations and certifications required to conduct a business in a single location.*

Ans: (c)

98. The transfer of asset from public sector to the Private sector is referred to as

(a) Privatisation

(b) Deregulation

(c) Nationalisation

(d) Individualisation

Exp: *It is the process of transferring ownership of a business, enterprise, agency, public service or public property from the public sector to the private sector, either to a business that operate for a profit or to a non-profit organization.*

Ans: (a)

99. CSR is

(a) The same as business ethics

(b) A theory about ethics

(c) The integration of social and environmental concern in the daily business of the firm

(d) The title of a Govt. Committee

Exp: *Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business)[1] is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms.*

Ans: (c)

100. The globally responsible leadership Initiative (GRLI) was partly founded by

(a) Enron

(b) The UN global compact

(c) The WHO

(d) Robert Maxwell

Exp: *The Global Compact asks companies to embrace universal principles and to partner with the United Nations. It has grown to become a critical platform for the UN to engage effectively with enlightened global business."*

Ans: (b)

101. The term 'late industrialization' refers to
(a) The need to delay industrialization because of its threats to the environment
(b) The problem faced by many developing countries as they seek to catch up to the Levels of development of richer countries
(c) The belief that it is too late for many countries to industrialise
(d) That we are how entering a post industrialized world

Exp: *Public policies to induce changes in the organization of production or in patterns of international trade have now become quite common even in nations that otherwise support free market principles. Such policies normally involve efforts to restructure individual firms and industries, as well as to encourage more flexible forms of automation, new patterns of subcontracting and market organization, etc. It would be helpful if there were satisfactory theoretical tools for approaching the problems that these policies are trying to tackle, such as the sources of innovation, dynamic comparative advantage, and productivity growth.*

Ans: (c)

102. Globalisation refers to
(a) A more integrated and interdependent world
(b) Lower income world wide
(c) Less foreign trade and investment
(d) Global warming

Exp: ***Globalization*** *is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure.*

Ans: (a)

103. Globalisation is beneficial for firms because
(a) It protects them against foreign competition
(b) It cushions them from the effects of events in other countries.
(c) It opens up new market opportunities
(d) It increases the risk and uncertainty of operating in globalizing world economy.

Exp: *Globalization is the system of interaction among the countries of the world in order to develop the global economy. It refers to the integration of economics and societies all over the world.*

Ans: (c)

104. Exploring the strategic implications of global warming is best described as ———
(a) An external environment analysis
(b) Scenario planning
(c) Futures forecasting
(d) A PESTLE analysis

Exp: *Scenario planning is a process of of visualizing (1) what future conditions or events are probable, (2) what their consequences or effects would be like, and (3) how to respond to, or benefit from, them.*

Ans: (b)

105. ————refers to highly educated and skilled people who migrate from poor developing countries To wealthy industrial countries .
(a) Direct investment
(b) Portfolio Investment
(c) Brain drain
(d) Transfer Pricing

Exp: *Brain drain (or human capital flight), is the large-scale emigration of a large group of individuals with technical skills or knowledge. The reasons usually include two aspects which respectively come from countries and individuals. In terms of countries, the reasons may be social environment (in source countries: lack of opportunities, political instability or oppression, economic depression, health risks, etc.; in host countries: rich opportunities, political stability and freedom, developed economy, better living conditions, etc.).*

Ans: (c)

106. What is the role of IMF
(a) It control the budgets of National Govts
(b) It acts as a forum for international economics
(c) It observes world exchange rated, balance of payments and multilateral payments
(d) None of the above

Exp: *The IMF and World Bank were both created at the end of world war II in a political climate the is very different from that of today. Nevertheless,* *their roles and modalities have been suitably updated to serve the interests of those that benefit from neoliberalism. The institutional structures of the IMF and World Bank were framed at an international conference in Bretton Woods, New Hampshire. Initially, the primary focus of the IMF was to regulate currency exchange rates to facilitate orderly international trade and to be a lender of last resort when a member country experiences balance of payments difficulties and is unable to borrow money from other sources. The original purpose of the World Bank was to lend money to Western European governments to help them rebuild their countries after the war. In later years, the World Bank shifted its attention towards development loans to third world countries.*

Ans: (c)

107.—— was the International reserve created by IMF to solve the problem of international liquidity

(a) SDR

(b) APR

(c) SDC

(d) None of the above

Exp: *The currency value of the SDR (StatutoryDrawing Rights) is determined by summing the values in U.S. dollars, based on market exchange rates, of a basket of major currencies (the U.S. dollar, Euro, Japanese yen, and pound sterling). The SDR currency value is calculated daily (except on IMF holidays or whenever the IMF is closed for business) and the valuation basket is reviewed and adjusted every five years.*

Ans: (a)

108. ————is an economic system where the means of production are owned and managed by the State

(a) Capitalism

(b) Socialism

(c) Mixed economy

(d) Common economy

Exp: *Socialist economic system is based on some form of social ownership of the means of production, which may mean autonomous cooperatives or direct public ownership; wherein production is carried out directly for use. Where markets are utilized for allocating inputs and capital goods among economic units, the designation market socialism is used.*

Ans: (b)

109. ————concerned with the obligation and duties of business to the society?

(a) Social responsibility

(b)Status

(c) Authority

(d) None of the above

Exp: *Social responsibility of business refers to what the business does, over and above the statutory requirements, for the benefits of the society. Social responsibility to different sections like shareholders, employees, consumers and community.*

Ans: (a)

110. ——— is the difference between market value of a security and the amount lent by banks against these securities?

(a) Margin of safety

(b) Margin

(c) Loan amount

(d) None of the above

Exp: *(1) Difference between the market value of a collateral and amount of the loan advanced against it, is referred as Margin and is also called haircut. (2) Percentage added to a market rate of interest, or subtracted from a market rate of deposit, to provide a return to the bank is also known as Margin .*

Ans: (b)

111. Which of the following is not an essential feature of social environment?

(a) Competitiveness

(b) Respect for the individual

(c) Better quality of life

(d) Bailment

Exp: *In this environment it is crucial for business to fully understand the cultural values of society, especially where an organization is seeking to do business in a country where social and cultural values keep changing in all areas and they are given top priorities.*

Ans: (d)

112. Which of the following statements about organizational missions is false?
(a) They reflect a company's purpose.
(b) They indicate what a company intends to contribute to society.
(c) They are formulated after strategies are known
(d) They define a company's reason for existence

Exp: *A Mission Statement defines the organization's purpose and primary objectives. Its prime function is internal – to define the key measure or measures of the organization's success – and its prime audience is the leadership team and stockholders. Mission statements are the starting points of an organisation's strategic planning and goal setting process. They focus attention and assure that internal and external stakeholders understand what the organization is attempting to accomplish.*

Ans: (d)

113. The fundamental purpose of an organization's mission statement is to
(a) create a good human relations climate in the organization
(b) define the organization's purpose in society
(c) define the operational structure of the organization
(d) generate good public relations for the organization

Exp: *Mission and purpose are used interchangeably, though at theoretical level, there is a difference between two. Mission has external orientation and relates the organization to the society in which it operates. A mission statement helps the organization to link its activities to the needs of the society and legitimize its existence. Purpose is also externally focused but it relates to that segment of the society to which it serves; it defines the business which the institution will undertake.*

Ans: (b)

114. Which of these organizations is most apt to have quality standards that are relatively objective?
(a) a university
(b) a discount retailer
(c) a law firm
(d) a car manufacturer

Ans: (d)

115. The two internal elements of SWOT analysis are
(a) weaknesses and threats
(b) opportunities and threats
(c) strengths and opportunities
(d) strengths and weaknesses

Exp: *SWOT analysis reprents Strength,Weakness, Oppurtunity and Threat.*

***S**trengths: characteristics of the business or project that give it an advantage over others*

***W**eaknesses: are characteristics that place the team at a disadvantage relative to others*

Ans: (d)

116. Which of the international operations strategies uses import/export or licensing of existing products?
(a) International strategy
(b) Global strategy
(c) Transnational strategy
(d) Multidomestic strategy

Exp: *International Strategy is a strategy where a firm sells its services or goods outside its domestic market. The main reason for implementing an international strategy is that international markets 'open way' for potential new opportunities.*

Ans: (a)

117. Match the following:

List I	List II
(i) Buffering	A) Employee braining, building Inventory.
(ii) Levelling	B) allocating organisational resources.
(iii) Anticipation	C) price cuts to spread sales.
(iv) Rationing	D) acquiring information about probable changes.

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	C	A	D	B
(b)	A	C	D	B
(c)	A	D	B	C
(d)	C	D	B	A

Exp: *An organisation may be several techniques to cope with its environment. Buffering techniques are use to absorbs environmental fluctuations, levelling attempts to reduce fluctuations in the environment. A Manufacturing firm tries to anticipate demand for its product before deciding production schedules and related matters. Rationing is resorted to when an organisation is unable to meet all the demand.*

Ans: (b)

118. ______ determines the course of action to ensure the survival and growth of the firm.

(a) SWOT Analysis

(c) Industry Analysis

(b) PEST Analysis

(d) QUEST Analysis

Exp: *SWOT Analysis is a systematic identification or analysis of strengths, Weatness, opportunities and Threats in the environment that exist internal or external to the organisation and the strategy that reflects the best match between them. SWOT Analysis is helpful in the formulation of an effective strategy that can capitalise on the opportunities and neutralise the threats faced by an organisation.*

Ans: (a)

119. _______ analysis is a strategic planning technique that provides a useful framework for analysing the environmental pressures of an Organisation.

(a) SWOT

(c) Industry

(b) PEST

(d) Competitor's

Exp: *PETELS, PESTLE (Political, Economical, Social, Technalogical, Legal and Environmental analysis) or the pest analysis came into being by splitting the social part of the PEST into environmental and economic factor* **i***nto legal factor as these factors have a significant role in the strategic management. To have upper hand on the Competitors every Company should do the PESTEL analysis frequently to make necessary changes in the goals and take appropriate decisions to be alive in the market.*

Ans: (b)

120. Which of the following is a feature of the micro environment of an organisation?

(a) Distribution Channel factors

(b) Social factors.

(c) Economic factors.

(d) All of these

Exp: *Micro environment or task environment refers to those individuals, groups and agencies with which the organisation comes into direct and frequent contact in the course of its functioning. Micro environment factors exercise a direct influence on the operations of the enterprise. The most important performs in the micro environment are suppliers, customers, market intermediaries, Competitors and Public.*

Ans: (a)

Directions (Questions 5-10)- In the questions given below are two statements labelled as Assertion (A) and Reasons (R). In the Context of the two statements, which one of the following is correct?

Codes:

(a) Both (A) and (R) are true and R is the correct explanation of A.

(b) Both (A) and (R) are true, but R is not the correct explanation of A.

(c) A is false, but R is true.

(d) A is true, but R is false.

121. Assertion (A): Business environment is the totality of all the external forces which influences the working and decision making of an enterprise.

Reason (R) : Business environment means all those factors that have an impact on business.

Exp: *Business environment means the aggregate of all the forces, factors and institutions which are external to and beyond the control of an individual business enterprise but which exercise a significant influence on the functioning and growth of individual enterprises.*

Ans: (a)

122. Assertion (A): Micro environment factors exercise direct influence on the operations of the enterprise.

Reasons (R): Success of an enterprise depends on its ability to adapt to the macro environment.

Exp: *Micro environment refers to those individuals, groups and agencies with which the organisations comes into direct and frequent contact in the course of its functioning, whereas forces in the macro environment, however, creates opportunities for and pose threats to the company.*

Ans: (b)

123. Assertion (A): The Indian Constitution has guaranteed to all its citizens certain basic rights and freedom which are known as Fundamental Rights.

Reasons (R): Fundamental Rights are the necessary conditions for the development of an individual's personality.

Exp: *Fundamental rights ensure democracy and conditions of life of which make human life worth living. The fundamental Rights also seek to prevent the government and the legislature from becoming totalitarian.*

Ans: (a)

124. Assertion (A): The main objective of the Seventh Five year plan is to establish an independent, self-sufficient economy.

Reason (R): The target growth rate for the Seventh Five year plan was 7% per annum.

Exp: *The Seventh Five year plan emphasised policies and programmes which arrived at rapid growth in food grains production, increased employment opportunities and productivity. The target growth rate is to attain 5% the actual growth rate of the national income was estimated to be 5.9%.*

Ans: (d)

125. Assertion (A): The Jurisdiction of MRTP Commission fall within the Regulation of combinations.

Reasons (R): The MRTP Act will be confined mostly to the achievement of prohibition of monopolistic restrictive and unfair trade practices.

Exp: *The MRTP Act 1969 had a very adverse effect on Competition and industrial growth with the twin objectives to prevent concentration of economic power to the common detriment and prohibition of Monopolistic, restrictive and other unfair trade practices which are prejudicial to the public interest.*

Ans: (c)

126. Assertion (A): Privatisation enables the government to concentrate more on the essential state functions.

Reasons (R): Privatisation may help in reviving sick units which are the liability of the public sector.

Exp: *Privatisation is the transfer of ownership of property or business from a government to a privately owned entity. It is the process that reduces the involvement of the state or the public sector in the nation's economic activities. Privatisation encourages the new innovations without any restrictions and it increases the foreign investment.*

Ans: (b)

127. The following are the objectives of Fiscal Policy

(a) To promote exports, imports and to mobilise the available resources.

(b) To generate employment and to increase national income

(c) To enhance foreign exchange earnings.

(d) All of the above

Exp: *Fiscal policy refers to the Government policy which is concerned with raising public revenue through location and other means and deciding on the level and pattern of public expenditure. Its objectives is to promote, exports & imports, to mobilics the available resources, to enhance foreign exchange earnings, etc.*

Ans: (d)

128. The environment which consist of factors related to the Management of public affairs and their impact on the business of an organisation is

(a) Social

(c) Economic

(b) Politics

(d) Regulatory

Exp: *Political environment has a close relationship with the economic system and the economic policy. the political system prevailing ina country decides, promotes, fosters, encourages, controls, etc. The business activity of that country. A businessman has to adjust his business to the prevailing political environment.*

Ans: (b)

129. When was the third five year plan was started?

(a) 1960

(c) 1962

(b) 1961

(d) 1963

Exp: *The basic aim of third five year plan was to push the economy up to the take-off stage of development. The plan aimed at securing a marked advances towards self-sustaining growth.*

Ans: (b)

130. ______ is a process that reduces the involvement of the state or the public sector in the nation's economic activities.

(a) Privatisation

(c) Globalisation

(b) Liberalisation

(d) None of these

Exp: *Privatisation is the transfer of ownership of property or business from a government to a privately owned entity. In many cases, privatisation is a way for the government to raise cash and to reduce its role as service provider.*

Ans: (a)

131. Policy making is an important part of the process of

(a) Planning

(c) Co-ordinating

(b) Organising

(d) Motivating

Exp: *Economic policies of a business unit are largely affected by the economic conditions of an economy. In an economic environment a qualitative evaluation of several key economic factors is under taken to predict the success of a business venture. These factors and government policies affect a lot to any kind of organisation in the future decision-making planning without objective is to derive without any destination, so it is an important aspect of business.*

Ans: (a)