

**SRI CHANDRASEKHARENDRA SARASWATHI VISWA
MAHAVIDYALAYA**

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Enathur, Kanchipuram – 631561

ONLINE COURSE



**FACULTY OF MANAGEMENT STUDIES
DEPARTMENT OF COMMERCE**

Business Environment



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Unit - I

Business Environment –

Definition- Importance-

Dimension of business environment:

Economic, Social, Cultural, Political,

Legal, Demographic, Natural and

Technological Environment

Political

And

Economic Environment

Unit - II

Political and Economic Environment -
Economic systems – Capitalism – Socialism
– Mixed economy - Features, Merits &
limitations of each – Role of Government in
business : regulatory role
, promotional role , entrepreneurial role
and planning role – Constitution of India –
The preamble – The fundamental rights –
The Directive Principles


Industrial Policy Of India

1948, 1956, 1977, 1980, 1990 & 1991

Unit- III

(12 Periods)

Industrial policy Resolutions in India -
Meaning – Need & Importance of
Industrial policy - Industrial policy
resolutions 1948 & 1956 – The New
Industrial policy 1991 – Features –
Meaning of Liberalization, Privatization
and Globalization



7th Edition

THE **GLOBAL**
ENVIRONMENT

Institutions, Law, and Policy

REGINA AZEVEDO • TRACY D. VANDEVEER



Unit- IV (12 Periods)

Global Environment - Meaning – Merits and Demerits of Globalization – GATT (General Agreement on trade and tariff) – Meaning, Objectives – WTO and its functions - MNCs (Multinational Companies) – Benefits and limitations of MNCs.

Customers

Suppliers

Employees

Social Responsibility of a business

Shareholders

Society

Competitors

Government



Unit- V (10 Periods)

Social Responsibility of Business -
Concept – Responsibility to
shareholders , Employees, Consumers
and community – Business ethics-
meaning and importance.

Intro link

- <https://youtu.be/rtqp53NaQKU>

BUSINESS ENVIRONMENT



Unit - I

Business Environment –

Definition- Importance-

Dimension of business environment:

Economic, Social, Cultural, Political,

Legal, Demographic, Natural and

Technological Environment



■ Business:

Business is a human activity carried out by the unified efforts of different categories of people, to produce the wealth through production and distribution of the goods and services.

According to **Malvin Anshen** :

“ Business is the way by which men make their living.”

According to **Bayard O'Wheeler** :

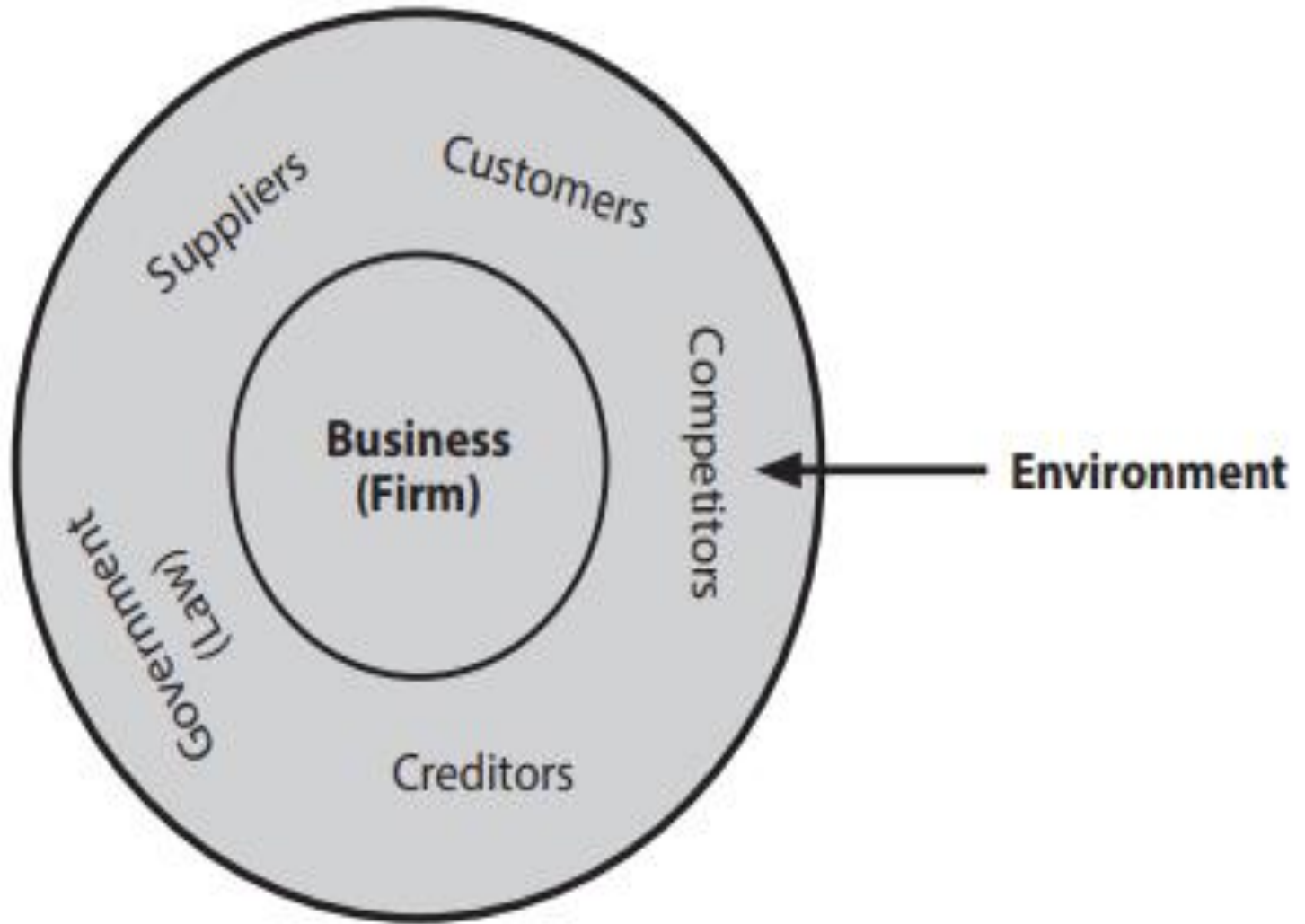
“ Business is an institution organized and operated to provide goods and services to society under the incentive of private gain.”

■ Environment:

The birth, growth and continuous development of organization are influenced by a wide range of variables like employees, customers, suppliers, producers, competition etc.

What does Business take to





- Environment refers to all external forces which affect the functioning of business. Environment factors are largely, if not totally, external and beyond the control of individual industrial enterprises and their managements. The surrounding in which business operates is called business environment.
- Business Environment means a collection of all individuals, entities and other factors, which may or may not be under the control of the organisation, but can affect its performance, profitability, growth and even survival.

BUSINESS ENVIRONMENT

- **Business Environment – It refers to the aggregate of all the conditions, events and influences that surround and affect a business.**
- Business Environment consists of all the external and internal factors which have an impact on the functioning, performance and decision making of a business

Business environment refers to forces and institutions outside the firm with which its members must deal to achieve the organisational purposes. Here

- Forces = economical, social, political, technological etc
- Institutions = suppliers, customers, competitors etc

It includes all those constraints and forces external to a business within which it operates. therefore,

- The firm must be aware of these external forces and institutions and
- The firm must be nagged keeping in mind these forces and institutions so that the organisational objectives are achieved.

•According to **Keith Davis**, *Business environment is the aggregate of all conditions, events and influences that surround and affect it.*

•According to **Reinecke and Schoell**, *the environment of business consists of all those **external things** to which it is exposed and by which it may be influenced directly or indirectly.*

These definitions give a clear understanding of the business environment. We can say that business environment is a combination or mixture of complex, dynamic and uncontrollable external factors within which a business is to be operated.

The change in tastes and preferences of customers, introduction of new technologies, innovations, government policies, etc., all are parts of the business environment.







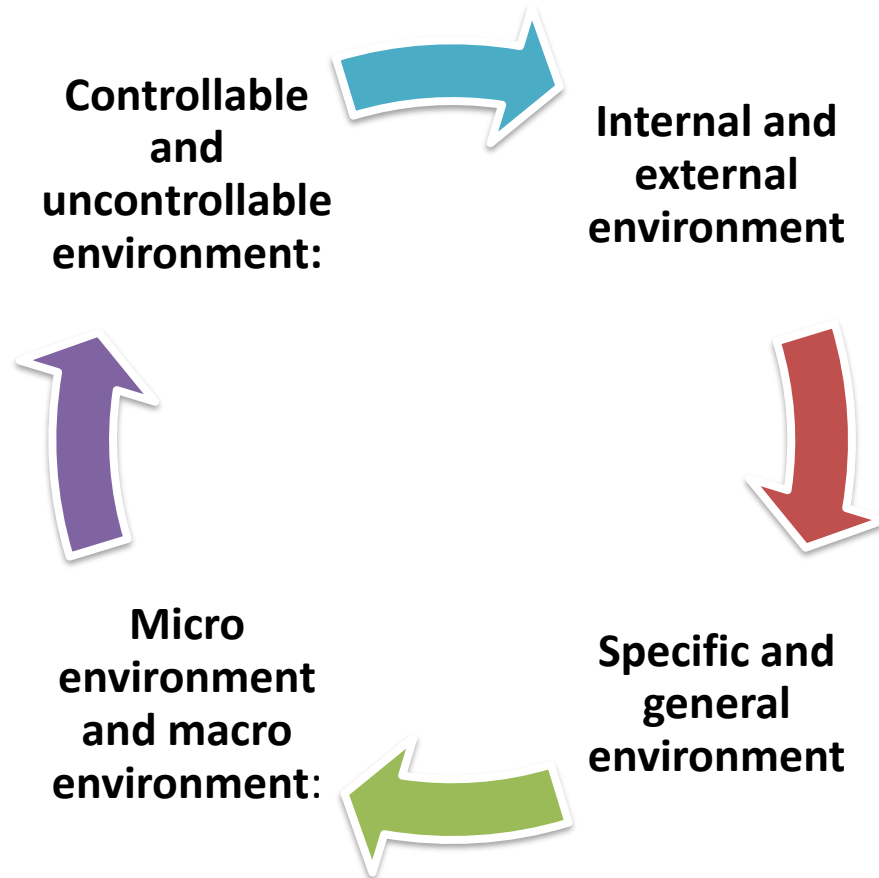
- **1. Totality of external forces:** Business environment is the sum total of all the forces/factors external to a business firm.
- **2. Specific and general forces:** Business environment includes both specific and general forces. Specific forces include investors, competitors, customers etc. who influence business firm directly while general forces include social, political, economic, legal and technological conditions which affect a business firm indirectly.
- **3. Inter-relatedness:** All the forces/factors of a business environment are closely interrelated. For example, increased awareness of health care has raised the demand for organic food and roasted snacks.
- **4. Dynamic:** Business environment is dynamic in nature which keeps on changing with the change in technology, consumer's fashion and tastes etc.
- **5. Uncertainty:** Business environment is uncertain as it is difficult to predict the future environmental changes and their impact with full accuracy.



- **6. Complexity:** Business environment is complex which is easy to understand in parts separately but it is difficult to understand in totality.

- **7. Relativity:** Business environment is a relative concept whose impact differs from country to country, region to region and firm to firm. For example, a shift of preference from soft drinks to juices will be welcomed as an opportunity by juice making companies while a threat to soft drink manufacturers.

SCOPE OF BUSINESS ENVIRONMENT





**Business
Environment**

Dynamic

Complex

Uncertain

Multifaceted

Far-reaching Impact

Relative

Importance of Business Environment

Strength can be easily detected

Weakness can be Easily Detected

Opportunities Can be Easily Detected

Threats can be Easily Detected

Adopting the Changes Easily

Make Business Dynamic

- 1. Identification of opportunities to get first mover advantage: Understanding of business environment helps an organization in identifying** advantageous opportunities and getting their benefits prior to competitors, thus reaping the benefits of being a pioneer.
- 2. Identification of threats: Correct knowledge of business environment helps an organization to identify those threats which may adversely affect its** operations. For example, Bajaj Auto made considerable improvements in its two wheelers when Honda & other companies entered the auto industry.
- 3. Tapping useful resources: Business environment makes available various resources such as capital, labour, machines, raw material etc. to a business** firm. In order to know the availability of resources and making them available on time at economical price, knowledge of business environment is necessary.
- 4. Coping with Rapid changes: Continuous study/scanning of business environment helps in knowing the changes which are taking place and thus they** can be faced effectively.
- 5. Assistance in planning and policy formulation: Understanding and analysis of business environment helps an organization in planning & policy** formulation. For example, ITC Hotels planned new hotels in India after observing boom in tourism sector.

Importance of business environment



**GET
INSPIRED
BY THESE
EXAMPLES**





Swot Analysis for Amul:

Strength

- India's largest food brand, trusted for its quality
- Number of popular milk products like ice cream, ghee, butter, paneer, dahi, milk, etc.
- Products available at affordable price
- Market leader in butter segment

Weakness

- Low market share in chocolates segment
- Strong competition from international & domestic players in the ice cream segment means limited market share

Opportunity

- Introduce new products in the chocolate segment
- To tap the untapped market, increase its reach in rural markets
- 3. Rise in purchasing power of Indian people

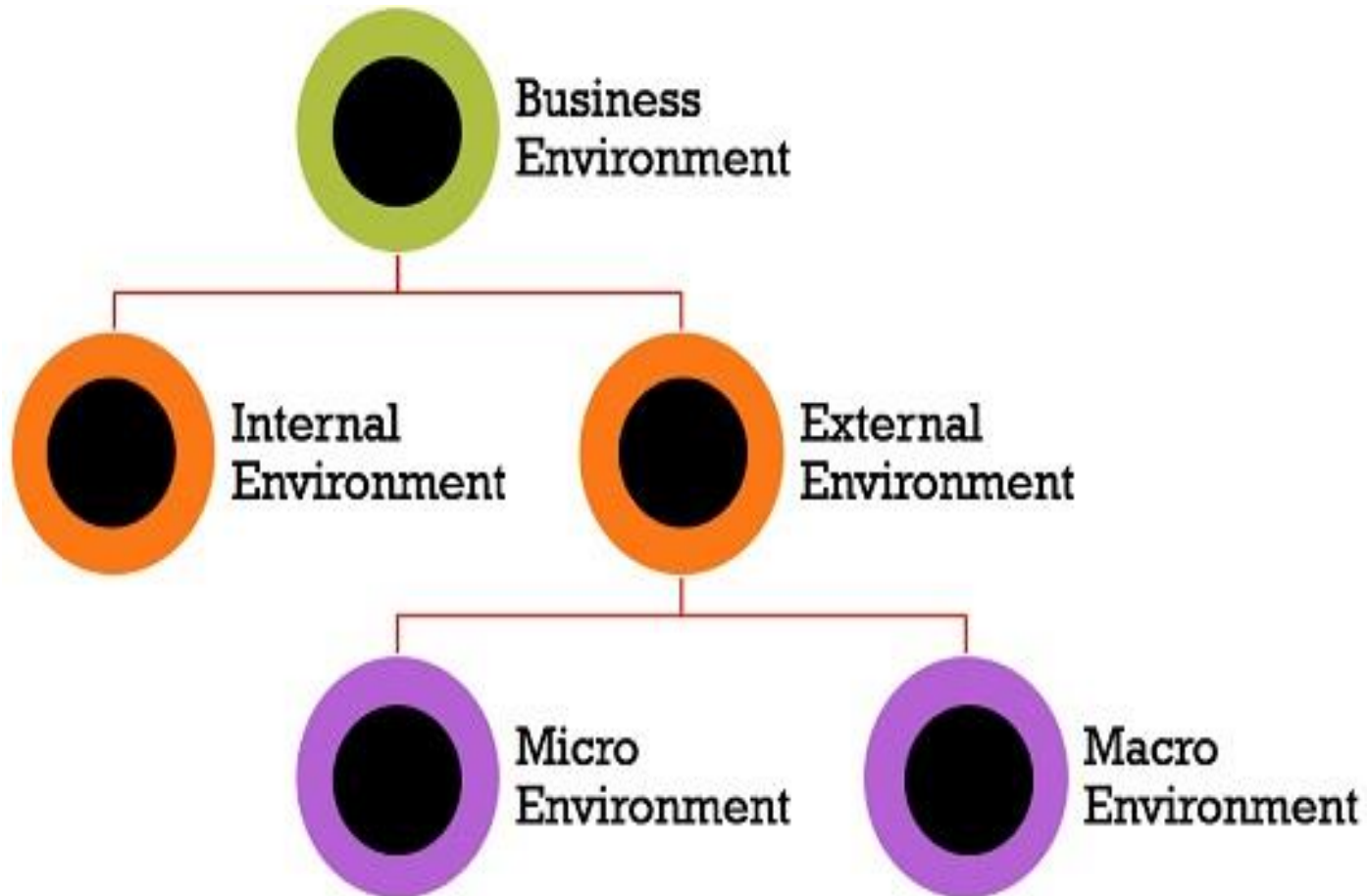
Threat

- Strong competition from international players like Britannia, Nestle, Mother Dairy, Local dairies.
- Economic slowdown and inflation

SWOT Analysis of



COMPONENTS / DIMENSIONS OF BUSINESS ENVIRONMENT



<https://businessjargons.com/internal-environment.html>

Business Environment

```
graph TD; BE[Business Environment] --> IE[Internal Environment]; BE --> EE[External Environment]; EE --> ME[Micro Environment]; EE --> MA[Macro Environment];
```

Internal Environment

- Value System
- Mission and Objectives
- Organisational Structure
- Corporate Culture
- Quality of Human Resources
- Labour Unions
- Physical Resources and Technological Capabilities

External Environment

Micro Environment

- Organization
- Customers
- Competitors
- Market
- Suppliers
- Intermediaries

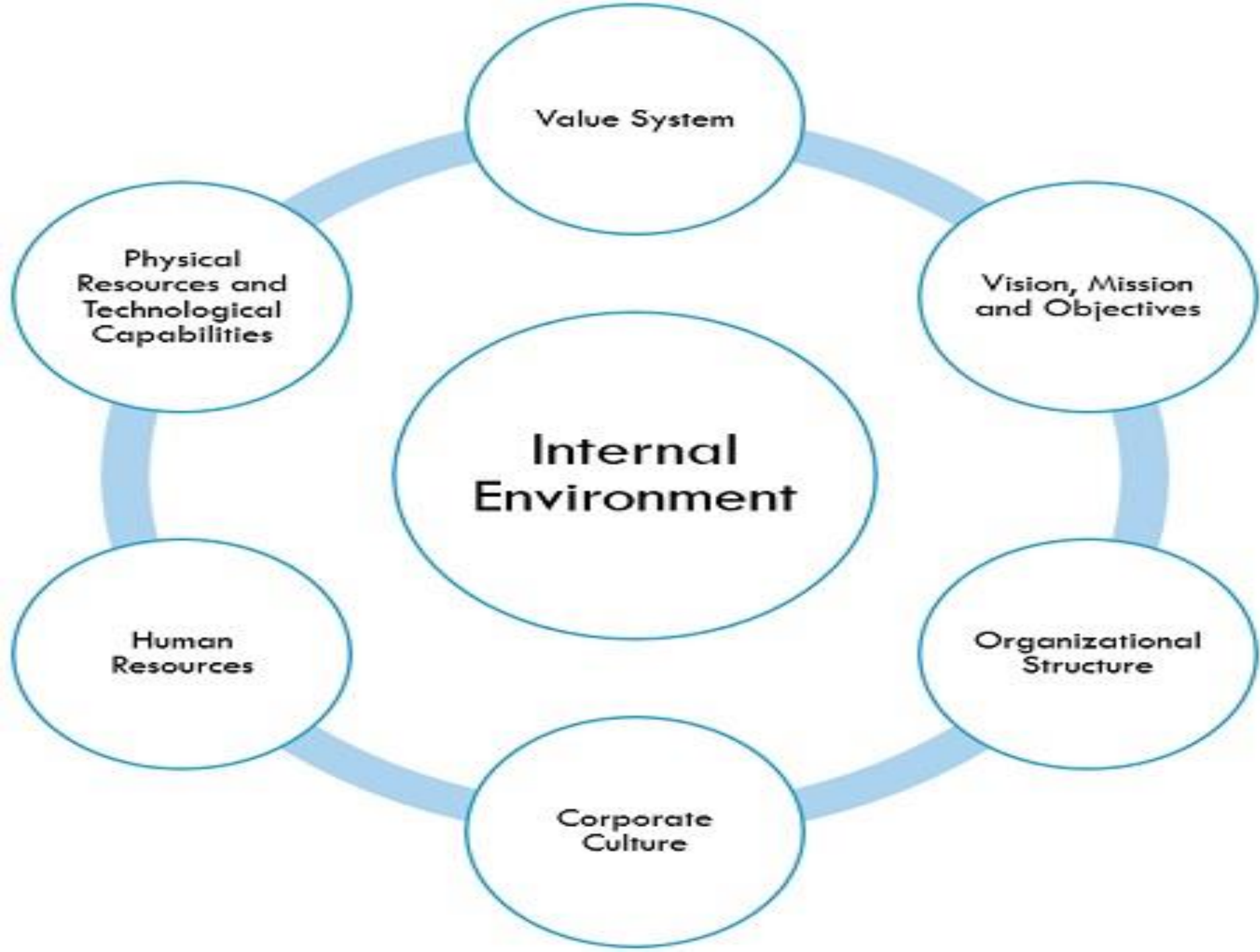
Macro Environment

- Economic
- Political - Legal
- Technological
- Global
- Socio - Cultural
- Demographic

INTERNAL ENVIRONMENT

The internal environment is the environment that has a direct impact on the business. Here there are some internal factors which are generally controllable because the company has control over these factors. It can alter or modify such factors as its personnel, physical facilities, and organization and functional means, like marketing, to suit the environment.





A **Mission Statement** defines the company's business, its objectives and its approach to reach those objectives.

A **Vision Statement** describes the desired future position of the company.

Elements of **Mission** and **Vision** Statements are often combined to provide a **statement** of the company's purposes, goals and **values**.

MISSION

A mission defines
your purpose

VISION

A vision extends your
mission to an ideal
future state

Vision and Mission Statement

Vision Statement

This vision statement describes the long-run objective of your company, usually for a time frame of five to ten years or even longer.

Mission Statement

A mission statement is like a road map of how to achieve the goals set in your vision statement. It defines the purpose of the organization

VISION

We aim to be Asia's leading trading group.

MISSION

We are dedicated to providing premium physical products and trading services by epitomising safety and efficiency.

VALUES

S T R I V E ©

Sagacity | **T**rustworthiness | **R**eflection | **I**nnovation
Virtuousness | **E**nterprise

Organizational Vision, Mission, Values and Competencies

(V-M-V-C Model)

Vision

Reflects where the organization desires to go

Mission

Clarifies how it is going to get there

Values

Define who individuals need to be

Competencies

Define what each person must do

Walt Disney Vision Statement

"To make people happy"



THEIR MISSION

"The mission of The Walt Disney Company is to be one of the world's leading producers and providers of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world."



“Strong Culture” in The Walt Disney Company

★ Values:

- Disney’s mission statement is a great example of their values, in a concise paragraph the company has told you what they are going to strive to accomplish and what the company views as important. Also while reading the article a statement was made saying “The Walt Disney Company declares that their values; innovation, quality, community, storytelling, optimism and decency, are present in everything they do” (stacycacciatore.wordpress.com).



Mission Statement:

- *Who we are*
- *What we value*

Vision Statement:

- *What we want to become*

Strategy:

- *How we will achieve our vision*

Goals & Objectives:

- *How we gauge our degree of success*

**COMMUNICATING
PURPOSE TO
STAKEHOLDERS**



Corporate Culture

How We Do Things Around Here

Corporate culture is the collective behavior of people using common corporate vision, goals, shared values, beliefs, habits, working language, systems, and symbols.

Selected Culture Models

- ❖ Team
- ❖ Inspiring
- ❖ Growth
- ❖ Adaptive
- ❖ Competitive
- ❖ Questioning
- ❖ Continuous Improvement
- ❖ Innovation
- ❖ Quality
- ❖ Coaching
- ❖ "Play it safe"

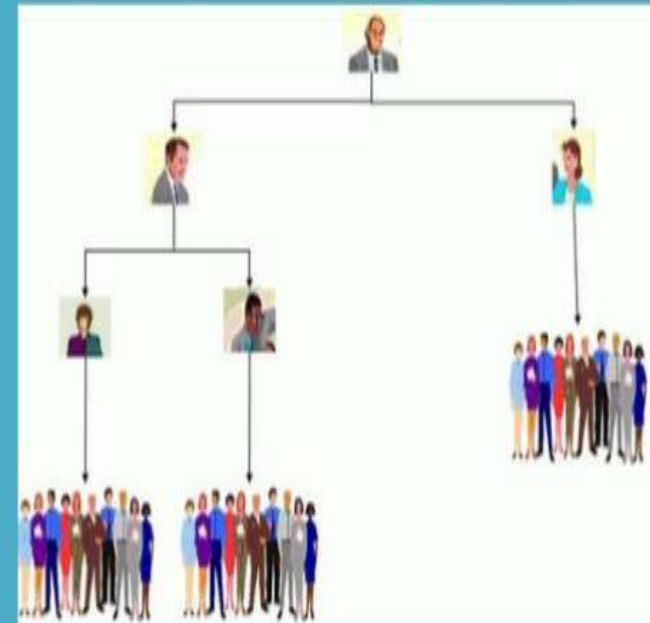


Culture is shaped by:

- ❖ Corporate Vision
- ❖ Shared Values
- ❖ Beliefs
- ❖ Assumptions
- ❖ Past Experiences
- ❖ Learning
- ❖ Leadership
- ❖ Communication

Organizational Structure

It is a framework within which an Organization arranges it's lines of authorities and communications and allocates rights and duties.



What is Human Resources?

A department that deals with an organization's workforce

The people who make up the workforce



Ensure equal opportunities



Manage relations with unions



Deal with performance issues



Train employees

Determine employees' needs

HUMAN RESOURCES FUNCTIONS



Deal with discrimination

Prepare worker records

Recruit new workers



Determine temporary staff requirements



Manage workers' payroll



Meaning

□ Organization's resources can be broadly divided into three;

- ✓ Financial resources,
- ✓ Physical resources and
- ✓ Human resources (employees).



9/20/2015

3

Resources

Managerial Functions

Objectives

Men & Women
Money
Machines
Materials
Methods

Planning

Organising

Staffing

Direction

Control

Optimum
Utilisation
of Goods
&
Services

Utilisation of Human and Physical Resources by Management

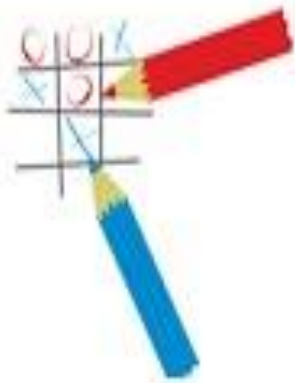
COMPONENT	MICRO ENVIRONMENT	MACRO ENVIRONMENT
Definition	The micro-environment is basically an internal or nearby environment of a company in which it operates.	The macro-environment is considered as an external or general environment of the company that can create an impact on the working of the whole business of the company.
Elements or factors	The 6 main elements of the microenvironment are i.e. customers, suppliers, media or public, employees, shareholders, competitors.	The 6 main factors of Macro environment include demographic, economic, natural, socio-cultural, technological, political-legal.
Elements nature	The nature of the elements of the microenvironment is less complex and more specific. Generally industry-specific factors.	Elements are more complex and general. More of regional, national or global.
Influence on organization	Direct and regular impact on marketing decisions and also remains independent.	It creates an indirect impact on marketing decisions up to a great extent.
Activities of marketer	Interaction of marketers with different functions within the organization.	The interaction of marketers is with other elements that are outside to organization.
Marketing control	Controllable factors by marketers	Uncontrollable factors that are beyond the control of marketers.
Functioning	Factors may function in the form of strengths and weaknesses of an organization	Factors may function in the form of opportunities and threats to the external market.



Micro Environment

- The **microenvironment** consists of the actors close to the company that affect its ability to serve its customers, the company, suppliers, marketing intermediaries, customer markets, competitors, and publics.





Competitors



Suppliers



Customers



Intermediaries



Shareholders



Employees



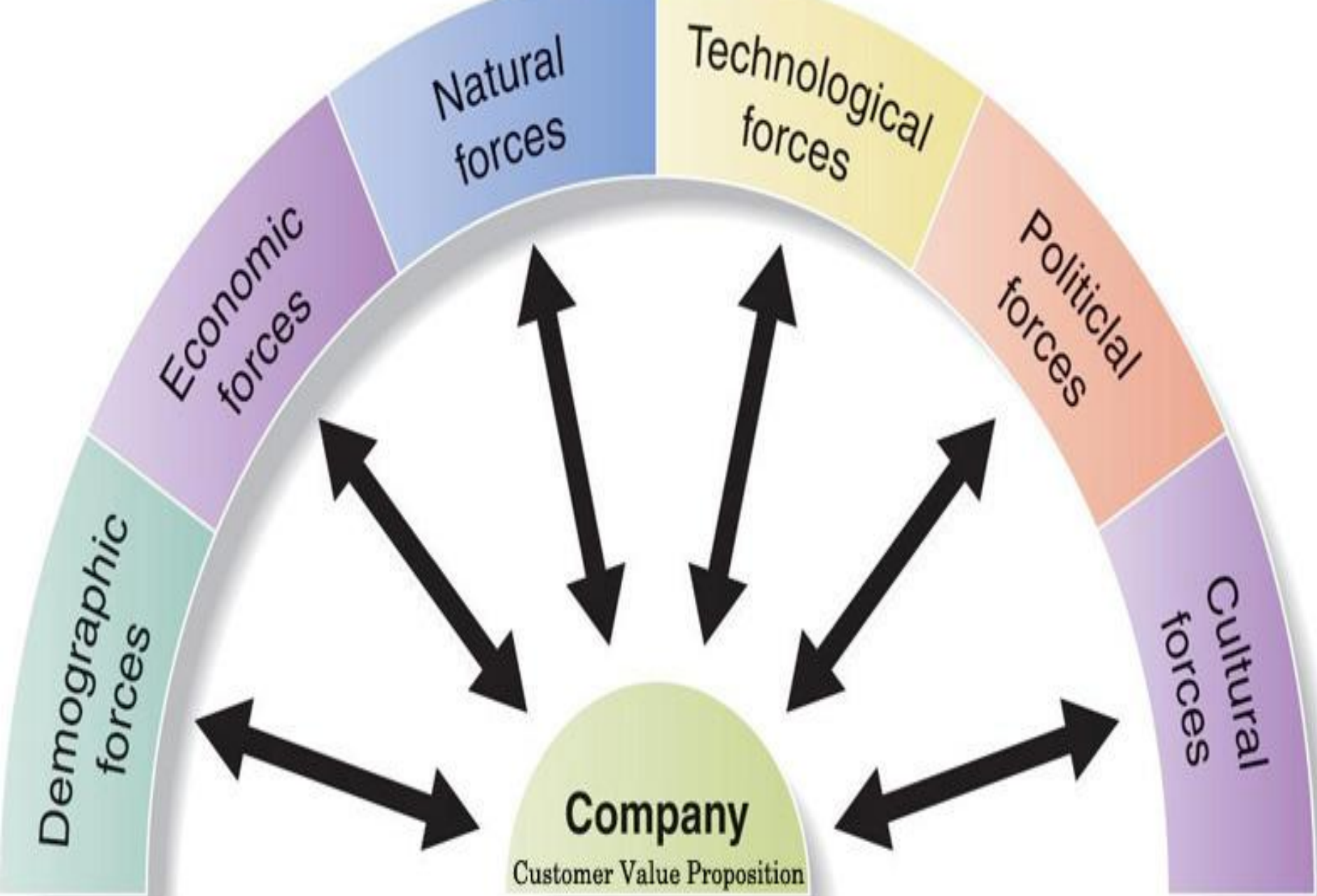
Media



macro environment

The major external and uncontrollable factors that influence an organization's decision making, and affect its ...





Political Factors

- Tax rates, tariffs, trade agreements, labor and environmental regulations

Economic Factors

- Employment levels, interest rates, exchange rates

Sociocultural Factors

- Demographic trends, consumer preferences, market diversity

Technological Factors

- The internet, smartphones, connectivity, automation

Environmental Factors

- Resource scarcity, recycling, alternative energy sources

Legal Factors

- Contracts, laws, intellectual property rights

PEST analysis



State Bank of India
With you - all the way

<i>Political</i>	<ul style="list-style-type: none">• Regulatory bodies.• Government policies.• International legislations.
<i>Economic</i>	<ul style="list-style-type: none">• Economic trends(Indian/Global)• Interest and exchange rates
<i>Social</i>	<ul style="list-style-type: none">• Lifestyle trends• Customer attitude and opinion• Media news and brand image• Advertising and publicity
<i>Technology</i>	<ul style="list-style-type: none">• Information technology• Competent technology• Global communication
<i>Environmental</i>	<ul style="list-style-type: none">• Green banking Reduction in electricity and fuel consumption, Solar ATMs

1. Economic Environment: It has immediate and direct economic impact on a business. Rate of interest, inflation rate, change in the income of people, monetary policy, price level etc. are some economic factors which could affect business firms. Economic environment may offer opportunities to a firm or it may put constraints.

2. Social Environment: It includes various social forces such as customs, beliefs, literacy rate, educational levels, lifestyle, values etc. Changes in social environment affect an organization in the long run. Example: Now a days people are paying more attention towards their health, as a result of which demand for mineral water, diet coke etc. has increased while demand of tobacco, fatty food products has decreased.

3. Technological Environment: It provides new and advance ways/techniques of production. A businessman must closely monitor the technological changes taking place in the industry as it helps in facing competition and improving quality of the product. For Example, Digital watches in place of traditional watches, artificial fabrics in place of traditional cotton and silk fabrics, booking of railway tickets on internet etc.

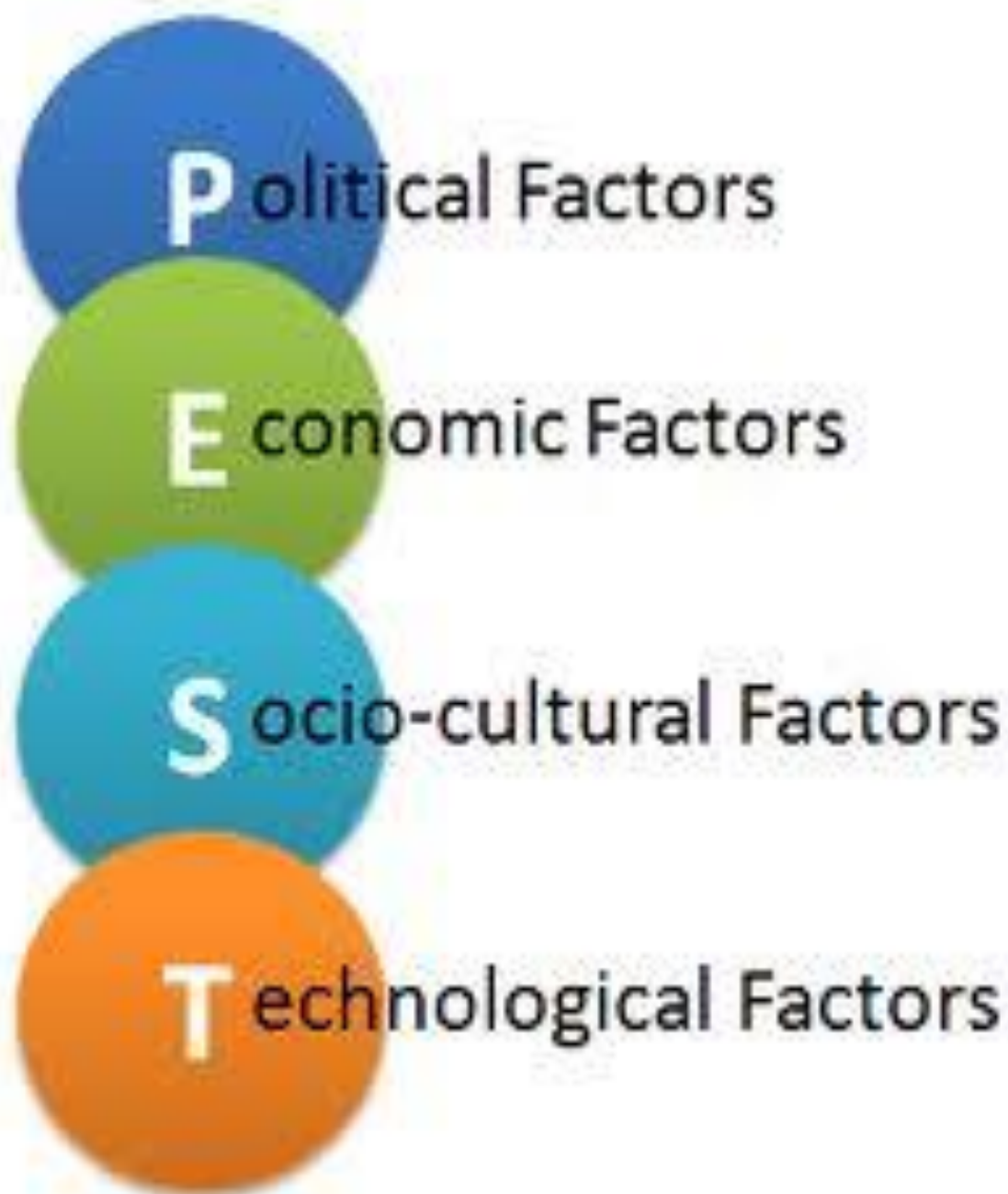
4. Political Environment: Changes in political situation also affect business organizations.

Political stability builds confidence among business community

while political instability and bad law & order situation may bring uncertainty in business activities. Ideology of the political party, attitude of government towards business, type of government-single party or coalition government affects the business Example: Bangalore and Hyderabad have become the most popular locations for IT due to supportive political climate.

5. Legal Environment: It constitutes the laws and legislations passed by the Government, administrative orders, court judgements, decisions of various

commissions and agencies. Businessmen have to act according to various legislations and their knowledge is very necessary. Example: Advertisement of Alcoholic products is prohibited and it is compulsory to give statutory warning on advertisement of cigarettes.



PEST Analysis

Political

- Political stability
- Regulation and de-regulation
- Statutes, laws, codes of conduct
- Government funding, subsidies, support for specific industries
- Fiscal/ monetary policy
- Tax rates
- Trade agreements

Economic

- Economic trends
- Economic stability – inflation, wages growth, GDP, GNP
- Exchange rates
- Trade agreements
- Seasonality and economic cycles
- Consumer confidence
- Consumer purchasing power- discretionary incomes

Social

- Demographic changes – population growth, age distribution, population density, geographic distribution
- Consumer attitudes - tastes and preferences
- Social influencers- role models, opinion leaders
- Shopping habits –preferred channels, channel switching, online & offline shopping

Technological


- Innovation, breakthroughs or technological developments
- New product materials or ingredients, new packaging solutions
- Improved production processes or business models
- New ways of transacting business
- New machinery or software

PESTLE ANALYSIS




Political: India is liberally opening doors for international fast food joints

Positive



Economic: An ever growing middle class with increasing purchasing power

Positive




Social: Women are moving out of kitchen to offices. A lot of Indians are veggie, so the menu has to be changed **Positive**




Technological: Enough enabling technologies available

Positive




Legal: Franchising models available and working successfully in India

Positive



Environmental: Activists against killing of animals like PETA can create trouble

Watch Out



When KFC came to India in 1995, it had to shut down because of the controversy about their handling of poultry.

Pest Analysis

POLITICAL

- Delicensing of dairy sector 1991
- Section 4A of NDDB gives exemption for income tax act
- 100% FDI allowed
- Export restriction (Milk powder was banned for exports in 2012)
- cut in import duties of milk and milk products

ECONOMICAL

- NDDB gives loan at 0% interest rate and also development grants at lower interest rates
- India high GDP growth rate implies increase in per capita income of people and thus more consumption of food items.

SOCIAL

- Lifestyle- Fast food culture creates more demand for ice-cream, cheese etc.
- Culture—custom of morning tea , more accustomed to milk and milk products
- Demographics—growing youth population, more health consciousness and huge children population.

technological

- Automation process , technological HACCP & ISO TQM
- Net enabled kiosks
- Ecommerce GIS
- innovation in cold chain technology
- National Dairy research industries

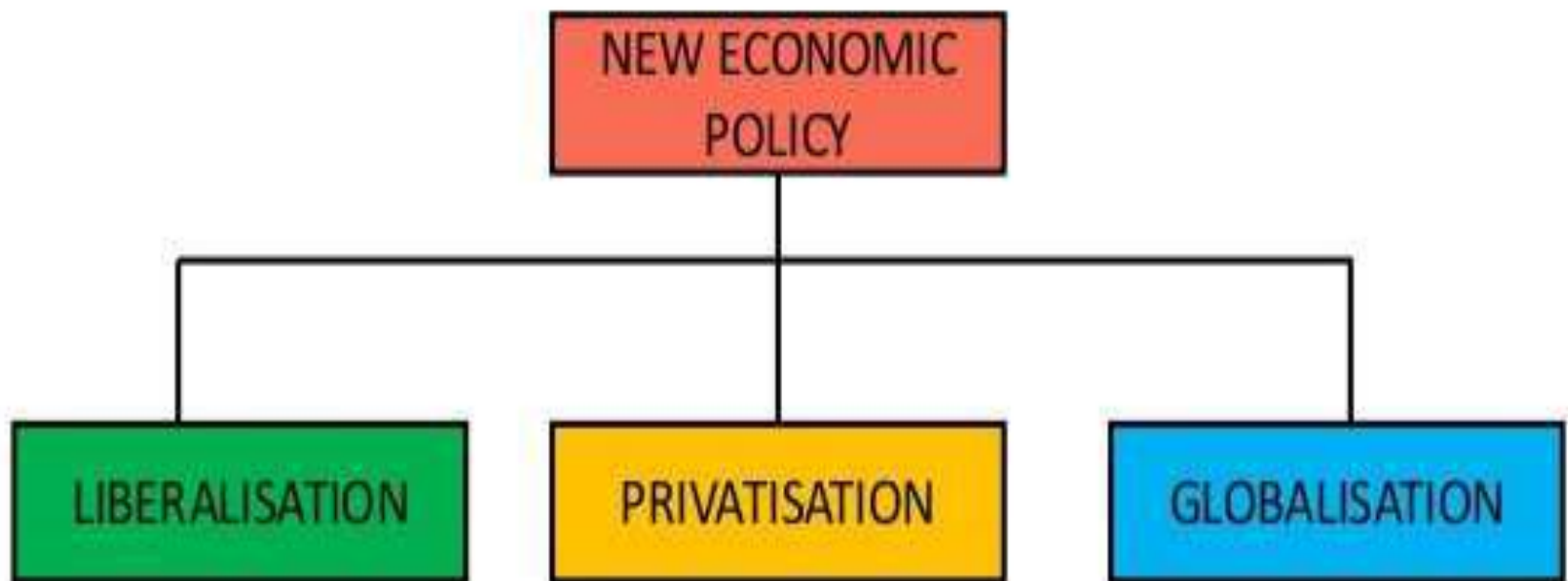
ECONOMIC ENVIRONMENT IN INDIA

As a part of economic reforms, the Government of India announced New Economic Policy in July 1991 for taking out the country out of economic difficulty and for the development of the country.

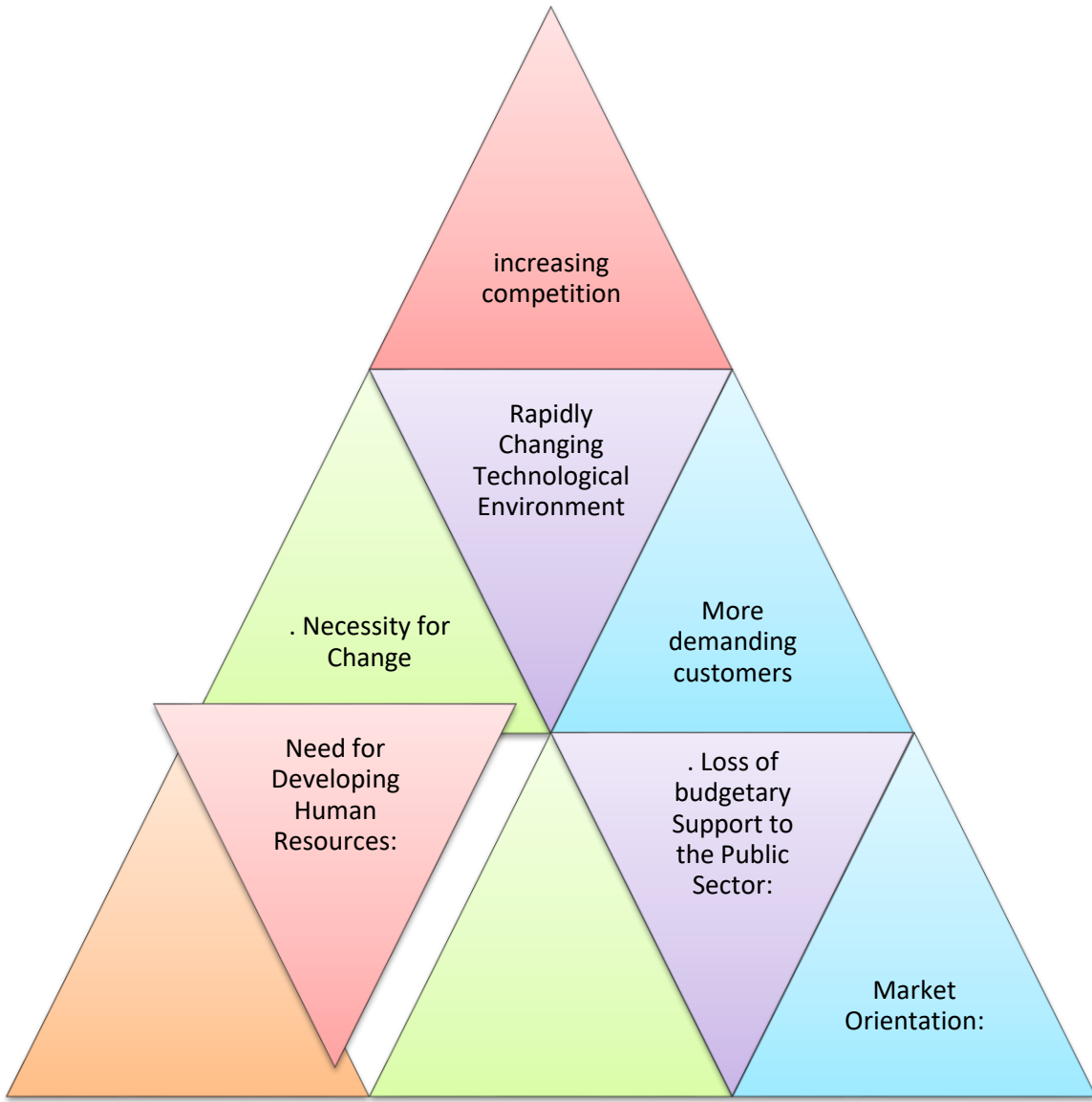
The features of economic policy 1991 are as follows:

1. Reduced number of industries to six, under compulsory licensing scheme.
2. The role of public sector was limited to four industries of strategic importance.
3. Disinvestment was carried out in case of many public sector enterprises.
4. Policy towards foreign capital was liberalized and in many sectors, 100% direct foreign investment was allowed.
5. Automatic permission was granted for signing technology agreements with foreign companies.
6. Foreign investment promotion board (FIPB) was setup to promote & channelize foreign investment in India.

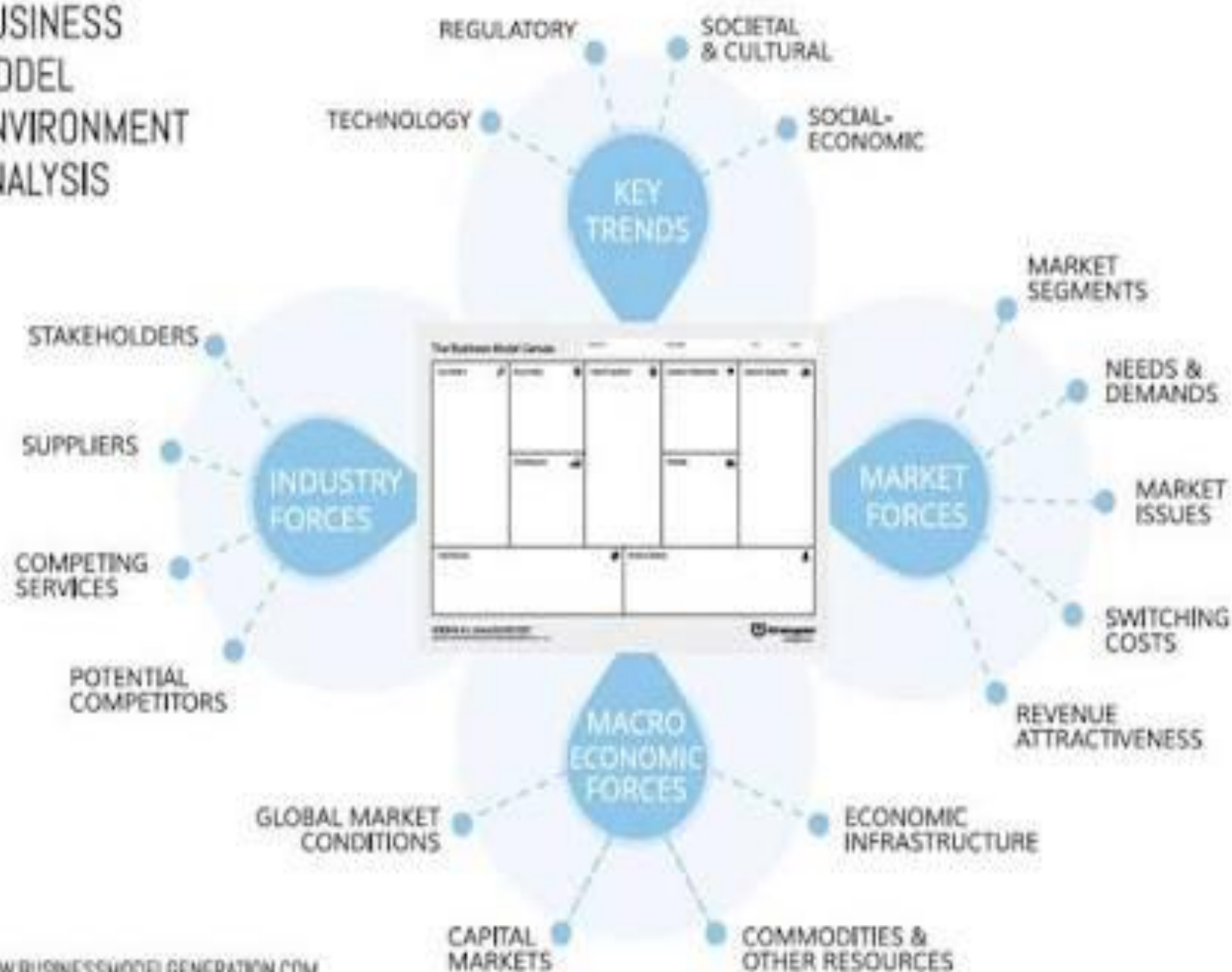
BRANCHES OF NEW ECONOMIC POLICY



IMPACT OF GOVERNMENT POLICY CHANGES ON BUSINESS AND INDUSTRY



BUSINESS MODEL ENVIRONMENT ANALYSIS



Political And Economic Environment



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Unit - II

Political and Economic Environment -
Economic systems – Capitalism – Socialism
– Mixed economy - Features, Merits &
limitations of each – Role of Government in
business : regulatory role, promotional role
, entrepreneurial role and planning role –
Constitution of India – The preamble – The
fundamental rights – The Directive
Principles

Introduction

- Politics that determines business policies highlights the importance of political environment to business.
- Businesses can be affected by many aspects of government policy.
- In particular, all businesses must comply with the law.
- They must also consider the impact of any forthcoming legislation on their operations.
- This may require taking action before the legislation comes into effect.



Political Factors



Characteristics and policies
of the political parties

Nature of constitutions and
government system

Economic and business
regulations

Political Environment

- Political environment is defined as the state, government, institutions and laws together with the public and private stakeholders who operate and influence that system.
- Business managers will pay attention to the political environment to see how government actions will influence their company.
- Political environment also includes the political culture which are views held about what governments should act with relation to its citizens.

THE ROLE & FUNCTION OF POLITICAL SYSTEM

- To integrate society
- The way to conduct society
- The way to choose or to have a government to manage a country
- For policy making
- Its depends on the political ideologies

Three Branches of Government



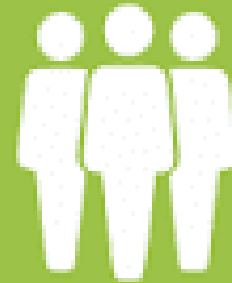
LEGISLATIVE

Makes Laws

PARLIAMENT

Unicameral
House/Legislative Council)
Bicameral
(House + Senate)

Includes legislators or members
of houses of parliament



EXECUTIVE

Administers Laws

HEAD OF STATE

President/Monarch
(Governor-General, Governor)

HEAD OF GOVERNMENT

Prime Minister/Premier
/Chief Minister

CABINET

Cabinet/Executive Council

Includes public servants organised
into ministries and departments



JUDICIAL

Interprets Laws

COURTS

Magistrate Courts
High Courts
Supreme Courts
Caribbean Court of Justice
/Privy Council

Includes judges of the various law
courts

Political institutions

- Legislature
- Executive
- judiciary

THREE BRANCHES OF GOVERNMENT

three branches of government

*executive
branch*



*legislative
branch*



*judicial
branch*



Legislature

- Most powerful institution
- Role is to make the law
- Powers
 - Policy making
 - Law making
 - Approval of budgets

Executive

- Referred to as government
- Responsible for implementing the law
- To shape, direct and control the business activities

[https://www.edubeans.com/Class IX Political Science-Working-of-Institutions.php](https://www.edubeans.com/Class_IX_Political_Science-Working-of-Institutions.php)

<https://byjus.com/cbse-notes/class-9-social-science-political-science-chapter-4-working-of-institutions/>

Judiciary

1. Responsible for interpreting and applying law
2. It has to look into the exercise of authority by the executives is according to the general rules laid down by the legislature.
3. To settle legal disputes that affects business considerably.

Disputes between employers and employees

Disputes between two companies

Disputes between employees

The political environment with respect to Business Environment includes all the **rules and regulations, laws and the role of the government in the day to day functioning of the organisations.**

Political environment

- It primarily comprises of the country's government's actions which may influence the operations of a company or business. These actions can be on different levels like local, regional, national or international. *The decision makers should observe the movements of the government keenly, so that they can make quick decisions.*
- **Increase or decrease in tax level is one factor in political environment. Such decisions will directly affect the business.** Government interferences like shifts in interest rate can have an effect on the demand patterns of company.
- The political environment is one among the least predictable elements in the business environment.

FACTORS AFFECTING

- Major political factors affecting business are,
 - ☐ Bureaucracy
 - ☐ Corruption level
 - ☐ Freedom of the press
 - ☐ Tariffs
 - ☐ Trade control
 - ☐ Employment law
 - ☐ Environmental Law
 - ☐ Health and safety law
 - ☐ Competition regulation
 - ☐ Tax policy (tax rates and incentives)
 - ☐ Government stability and related changes
 - ☐ Government involvement in trade unions and agreements
 - ☐ Import restrictions on quality and quantity of product
 - ☐ Intellectual property law (Copyright, patents)
 - ☐ Consumer protection and e-commerce

ECONOMIC ENVIRONMENT



Economic Environment Defined. The **economic environment** consists of external **factors** in a **business** market and the broader **economy** that can influence a **business**. ... Many **economic factors** act as external constraints on your **business**, which means that you have little, if any, control over them.

Economic environment

- The Economic environment includes broad factors like structure and nature of the economy, the stage of development of the economy, economic resources, the level of income of the economy, the distribution of income and assets among citizens, linkages with global economy, economic policies



Economic Development

The process in which people in a country become wealthier, healthier, better educated, and have greater access to good quality housing.



STRUCTURE OF ECONOMY

Primary Sector

- Agriculture
- Animal husbandry
- Forests
- Fisheries
- Mining

Secondary Sector

- Small scale and cottage industries
- Large scale industries

Tertiary Sector

- Power
- Transport and communication
- Internal and International trade
- Banking and finance
- Other services.



- Industrial policy
 - Policies on industries usually define the role and objectives of different sectors like private and public, large, medium and small etc. Businesses would be compelled to change their operations in accordance with the new policy regime.
- Trade policy
 - A preventive import policy of the government may do benefits to the home industries.
- Fiscal and monetary policies
 - Fiscal policy includes the government's tactics on public expenditure and revenue. It can restrain or foster business operations. Similarly, a policy of the Reserve bank to restrain flow of credit can affect the savings, investments etc

Economic Conditions

Economic Policies of a business unit are largely affected by the economic conditions of an economy.

Any improvement in the economic conditions such as standard of living, purchasing power of public, demand and supply, distribution of income etc. largely affects the size of the market.

Business cycle is another economic condition that is very important for a business unit.

5 different stages of economic condition

- (i) Prosperity,
- (ii) Boom,
- (iii) Decline,
- (iv) Depression,
- (v) Recovery.



Economic Conditions

Economic Growth



- Using measures of economic performance in terms of the value of income, expenditure and output
- GDP – Gross Domestic Product
 - The value of output produced within a country during a time period
- GNP – Gross National Product
 - The value of output produced within a country plus net property income from abroad
- GDP/GNP per head/per capita
 - Takes account of the size of the population
- Real GDP/GNP
 - Accounts for differences in price levels in different countries

ECONOMIC SYSTEM :

- An organized way in which a state or nation allocates its resources and distributes goods and services in the national community.
- Types:
 - Capitalism (Market Economy)
 - Socialism (Planned economy)
 - Mixed (Capitalism + Socialism)



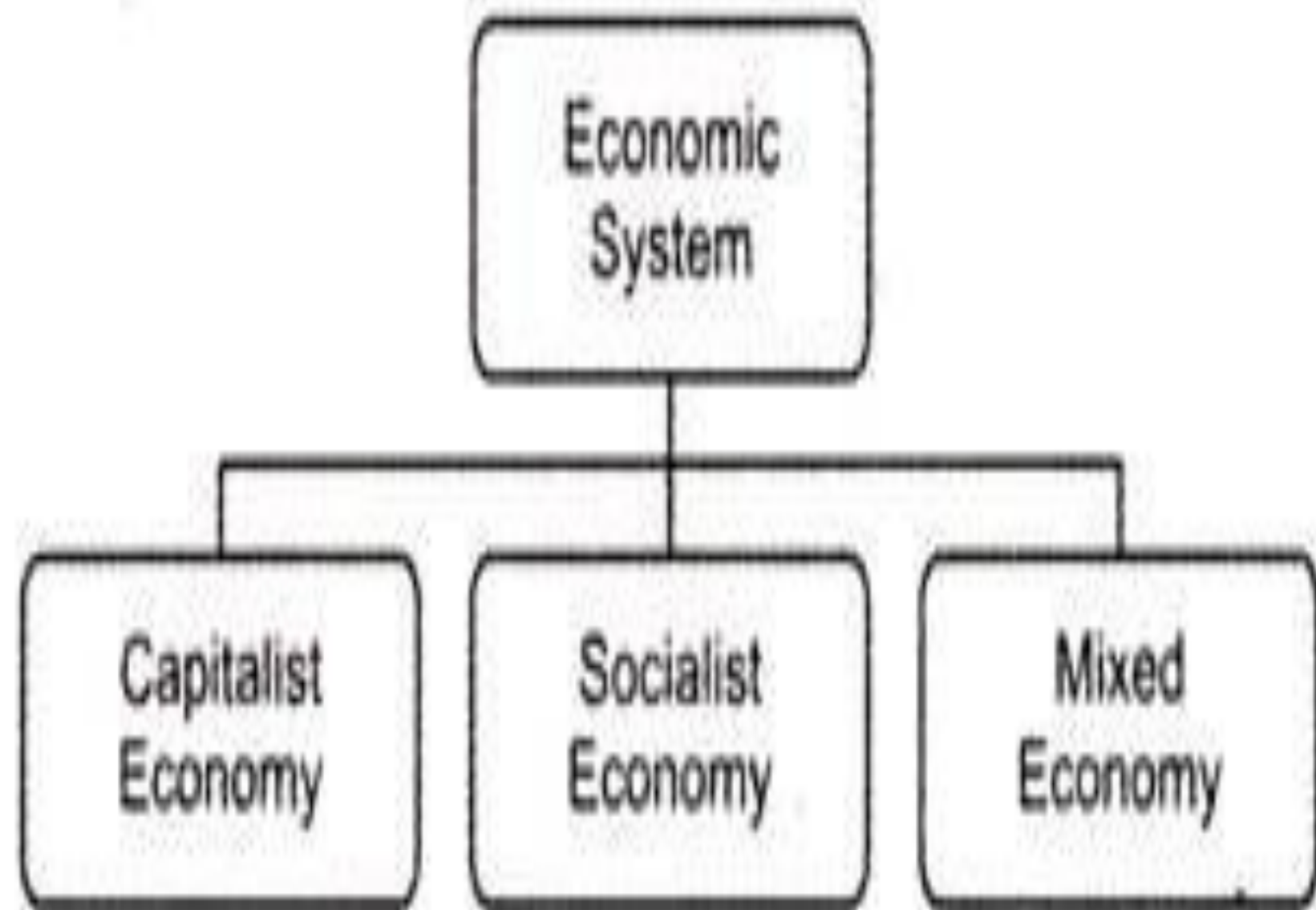
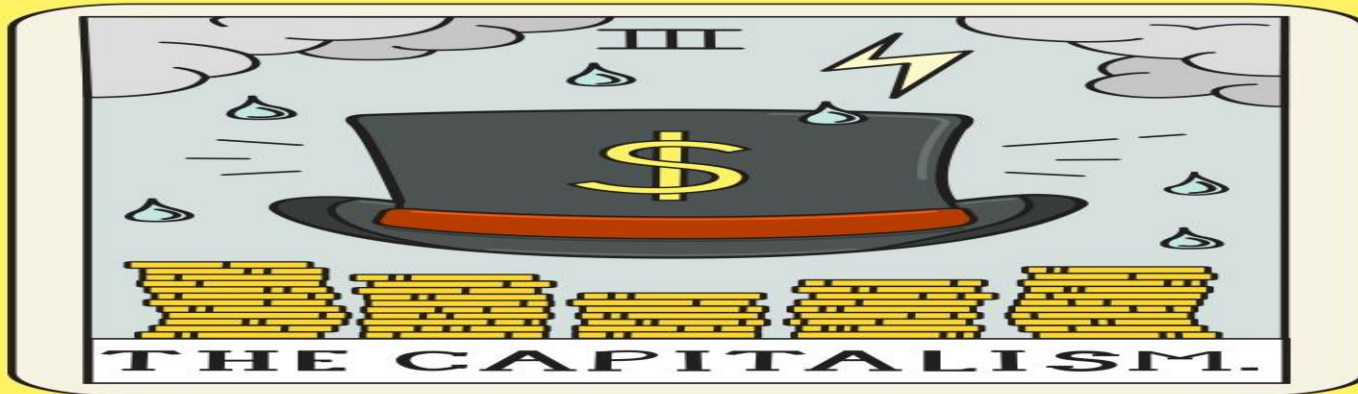


Figure-1: Different Types of Economic System



- Capitalism is an economic system in which the industries, trade and production means are completely owned by **private bodies**. This type of economy is also known as a **capitalist economy** or a **free-market economy**. This type of economy involves no governmental interference. There are many developing as well as developed nations which follow the capitalist economy system such as Germany, U.S., etc.
- The production task of a capitalist economy is completely controlled by firms and industries. The market mechanism, decision-making process, the means of production carried out for the supply of products in the market are owned by private organisations.

Capitalism

an economic system in which the means of production of goods or services are privately owned and operated for a profit



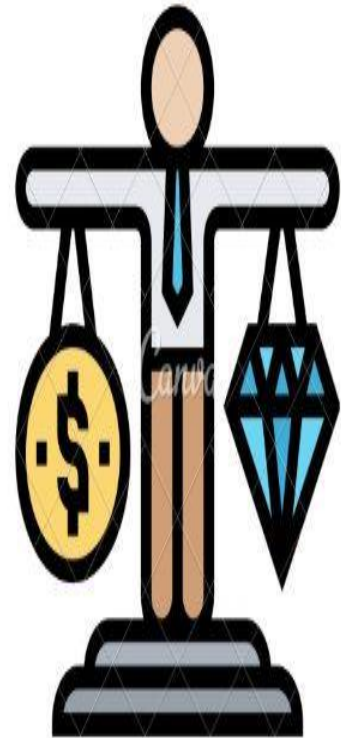
Socialism



Socialism is an economic system where ownership and regulation are under the government. All the activities of production and other functions like allocation of resources, consumption, distribution of income, investment pattern, etc., are under the direction and control of the government. It is also referred to as the socialist or command economy. In contrast to capitalism, socialism ensures public welfare and equality among people.

Definition of Mixed Economy.

"Mixed economy is a system in which the public sector and the private sector are allocated their respective roles in promoting the economic welfare of all sections of the community."



Free market

Entrepreneurs able to make profit

Freedom to set up business

Prices determined by market forces

Private ownership of business

Gov't intervention

Progressive taxes to reduce inequality

Government regulations

Taxes on demerit goods

Gov't provision of public goods

Mixed economy

Economic System

- Economics - **Economics** is the social science that analyzes the production, distribution and consumption of goods & services.
- **Economic System** is the system of production, distribution and consumption
- An economic system is a mechanism (also defined as system or social institution) which deals with the production, distribution and consumption of goods and services in a particular society.
- The economic system is composed of people, institutions and their relationships. It addresses the problems of economics like the allocation of the resources.

Capitalism

- Capitalism is an economic system in which the industries, trade and production means are completely owned by private bodies. This type of economy is also known as a **capitalist economy** or a **free-market economy**. This type of economy involves no governmental interference. There are many developing as well as developed nations which follow the capitalist economy system such as USA, UK, Germany, Japan, Singapore all are classic examples of capitalist economies. etc.

In capitalism who will control

- The production task of a capitalist economy is completely controlled by firms and industries. The market mechanism, decision-making process, the means of production carried out for the supply of products in the market are owned by private organisations.

Definitions

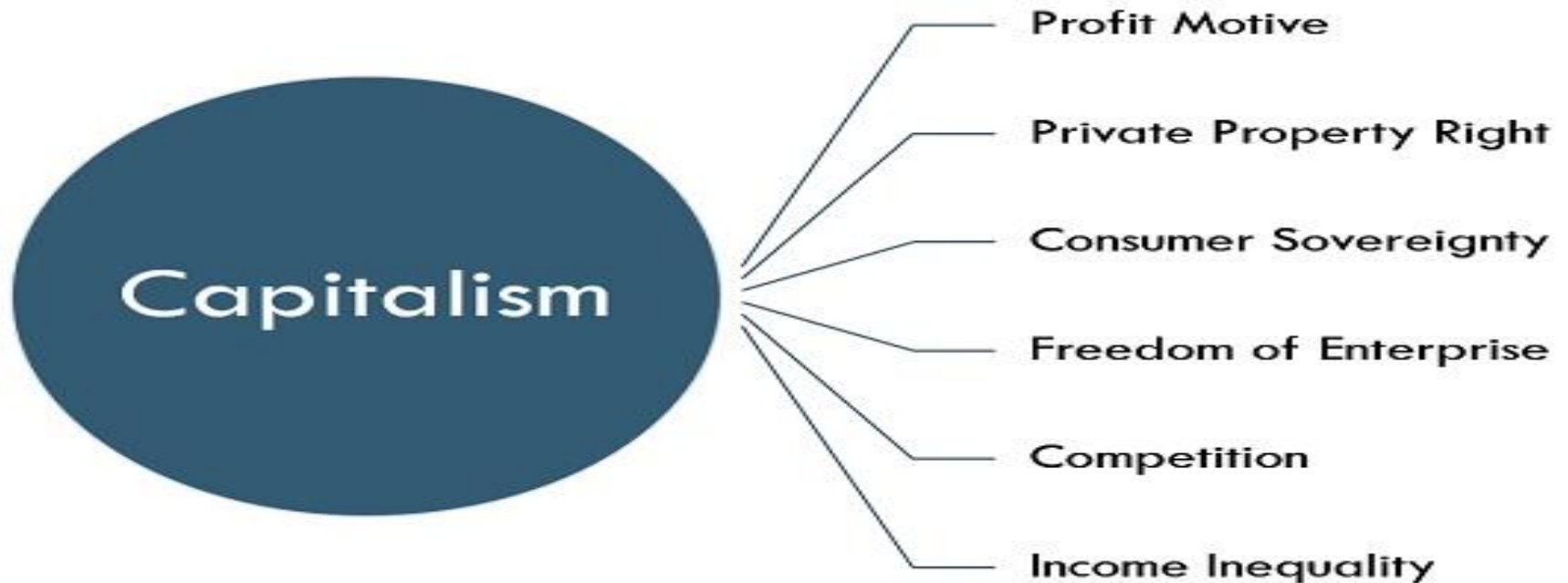
- Capitalism refers to an economic and political system, wherein the private individuals own and control the country's factors of production (land, labour, capital) for making a profit. In finer terms, private property is the essence of a capitalist economy and profit works as a motivation here.
- Under this system, the government does not intervene in the management of economic affairs. The capitalist enterprises carry out production activities, wherein the private owners freely operate their business, as per their will, such as:
 - Where and how much to invest
 - What, how and how much to produce
 - At what prices, goods and services are offered for sale.
- Capitalism is the oldest social system, which is still prevalent in many countries of the world like United States, Australia, Canada, Mexico, Italy, France and many more. It is also known as a **free-market economy** or **laissez-faire economy**.

Continue..

- In the words of **Karl Marx**, “*Capitalism is a particular mode of organisation of production which is characterised by wage slavery, production of profit, and creation of surplus value*”.
- As per **Louks and Hoots**, “*Capitalism is a system of the economic organisation featured by the private ownership and the use for private profit of man-made and nature made capital.*”

Characteristics of capitalist economy:

<https://businessjargons.com/capitalism.html>



- In capitalism, no central planning authority exists to solve the central economic problems, i.e. what, how, when and for whom to produce. In such a situation, it is quite difficult to identify, as to what are the forces that cause the economy to function smoothly.
- Suppose, if consumers demand washing machines and producers want to produce computers, and workers choose to make cars, then a situation of disorder and disorientation may occur.
- But to overcome such a problem, a capitalist economy resorts to **market demand and supply forces** and **price mechanism** (also known as a market mechanism) to solve the central economic problems.

-



**Market
economy**

**WHAT
TO PRODUCE**

Determined by
consumer's
preferences

**HOW
TO PRODUCE**

Determined by
producers
seeking profits

**FOR
WHOM
TO PRODUCE**

Determined by
purchasing
power

Advantages

```
graph TD; A[Advantages] --- B[Encourages economic activities]; A --- C[Maximum efficiency]; A --- D[Dynamic economy]; A --- E[Rapid economic growth];
```

Encourages
economic
activities

Maximum
efficiency

Dynamic
economy

Rapid economic
growth

Unequal
distribution of
wealth

Business
instability

DISADVANTAGE

Consumers
exploitation

Misallocation
of productive
resources

SOCIALISM

<https://www.youtube.com/watch?v=8KQQtbBYvDs>

Socialism:

- Socialism is an economic system where ownership and regulation are under the government. All the activities of production and other functions like allocation of resources, consumption, distribution of income, investment pattern, etc., are under the direction and control of the government. It is also referred to as the socialist or command economy. In contrast to capitalism, socialism ensures public welfare and equality among people.
- The communist countries are the origin of socialist economies.

Definitions:

- According to Hicks, socialism is
- “an economic system in which the means of production are owned and operated by the state for the maximization of social welfare”.
- Here property and the means of production are owned, controlled and managed by the state. The Government is authorized to control not only production and distribution, but also consumption.
- All economic activities come under the state control in Socialism. Private property does not exist. Every individual has to work to the best of his ability, and the Government takes the responsibility for fulfilling his needs.
- In a socialistic system, the resources (factors of production) are owned by the State. Socialism is also known as the **Communist Economic System** or **Centrally Planned Economy**. It is an alternative to

Characteristics of socialist economy:

Social
ownership

Social welfare

Central
planning

Equality of
income and
opportunity

Classless
society



**Command
economy**

**WHAT
TO PRODUCE**

Determined by
government
preferences

**HOW
TO PRODUCE**

Determined by
government and
their employees

**FOR
WHOM
TO PRODUCE**

Determined by
government
preferences

Advantages and disadvantages

- Optimum utilization of resources
- Satisfaction of consumers need
- Equal distribution of income and wealth
- Inaccurate calculation of cost.
- Concentration of power in government hands
- Bureaucratic setup

<https://www.youtube.com/watch?v=NMpNWOGzZtl>

<https://accountlearning.com/socialism-features-merits-demerits/>

MIXED ECONOMY



DEFINITION

Mixed Economy



“Mixed economy is an economic system which is combination of capitalistic economic freedom and principles of socialistic economic control.”

REASONS WHY MIXED ECONOMY DEVELOPED

DEVELOPED

➤ The demerits of two economic systems acted as the initiative for the need of third economic system.



Types of Economic Systems

Economic System	Synonym	Definition	Examples
Traditional	---	People rely on hunting, fishing & agriculture to meet their needs	Native American & African Tribal Groups
Capitalism	Free Enterprise System or Market Economy	Individuals own businesses & freely choose what to buy & sell in free markets with little government interference	USA Mexico Japan
Communism	Command Economy	The government owns all industries, with total control of production, supply & prices	Cuba North Korea Vietnam
Socialism	Mixed Economy	Many, but not all, businesses are owned & controlled by the government	Sweden Denmark Norway

FEATURE OF MIXED ECONOMY

- Co-existence of private and public sector.
- Personal freedom.
- Private property is allowed.
- Economic planning.
- Profit motive and social welfare.
- Price mechanism and controlled price.
- Check on economic inequalities.
- Control of monopoly power.





**Mixed
economy**

**WHAT
TO PRODUCE**

Determined partly by
consumer preferences and
partly by government

**HOW
TO PRODUCE**

Determined partly by
producers seeking profits
and partly by government

**FOR
WHOM
TO PRODUCE**

Determined partly by
purchasing power and partly
by government preference

"MAKING OF MIXED ECONOMY"



The making of mixed economy is divided into three different sections stated as follows:

- Private Sector
- Public Sector
- Semi-Public Sector

PRIVATE SECTOR

MITCHELL'S GOLDEN RULE

**The Private Sector
Should Grow Faster
than the Government**

In economics the **private sector** is that part of the economy, sometimes referred to as the **citizen sector**, which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state.

PUBLIC SECTOR



- The part of the economy concerned with providing basic government services to the public is called public sector.
- The composition of the public sector varies by country, but in most countries the public sector includes such services as the police, military, public roads, public primary education and healthcare for the poor.

AUTONOMOUS BODY

- Autonomous bodies are those in which public and private sector work together by merging their resources either to increase the efficiency.
- Still it does not mean that all autonomous bodies are efficient in their work. There is always possibility of lack of performance or inefficiency from public sector.

EXAMPLE



IndianOil



MERITS

- Efficient
- Freedom of decision making of Consumer
- Planned development
- Increase in National Production
- Competition keeps prices low
- Consumer choice.
- Greater Chance for the Government to Implement Good Policies.



DEMERITS

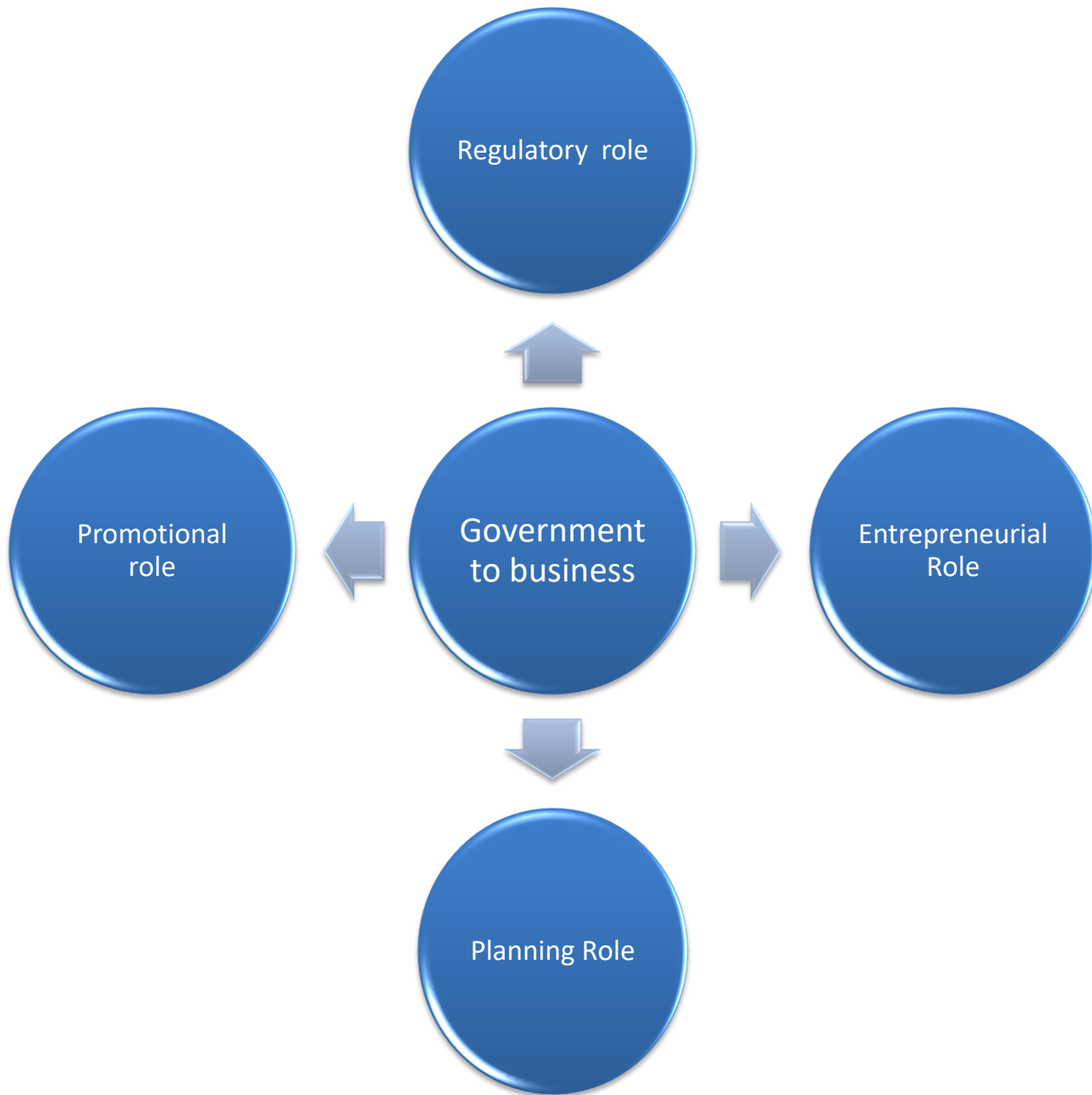
- Corruption.
- Fear of nationalization.
- Conflict between public and private sector.
- Public sector Less efficient than private sector.



S.No.	Features	Capitalism	Socialism	Mixedism
1	Ownership of Means of Production	Private Ownership	Public Ownership	Private Ownership and Public Ownership
2	Economic Motive	Profit	Social Welfare	Social Welfare and Profit Motive
3	Solution of Central Problems	Free Market System	Central Planning System	Central Planning System and Free Market System
4	Government Role	Interanal Regulation only	Complete Involvement	Limited Role
5	Income Distribution	Unequal	Equal	Less unequal
6	Nature of Enterprise	Private Enterprise	Government Enterprise	Both Private and State Enterprises
7	Economic Freedom	Complete Freedom	Lack of Freedom	Limited Freedom
8	Major Problem	Inequality	Inefficiency	Inequality and Inefficiency



https://www.academia.edu/8416417/ROLE_OF_GOVERNMENT_IN_BUSINESS



**CONSTITUTION
OF
INDIA**



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SCSCMV
ENATHUR, KANCHIPURAM**

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CONSTITUTION



LEGISLATIVE

EXECUTIVE

JUDICIAL

CONGRESS

PRESIDENT

VICE PRESIDENT

SUPREME COURT

HOUSE OF REPRESENTATIVES

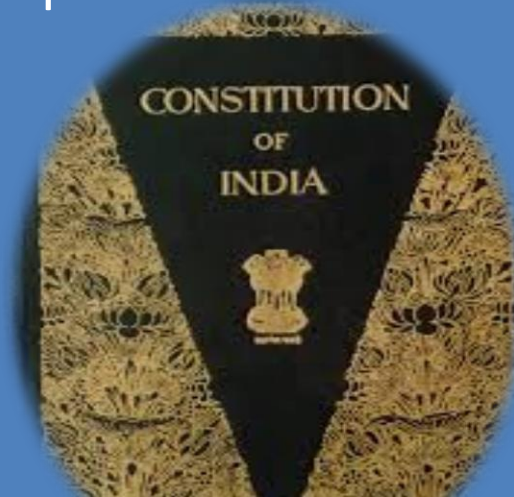
SENATE

Division of Constitution of India

INTRODUCTION

The Constitution of India came into force on 26th January, 1950. The longest written Constitution of any sovereign country of the world came into effect on 26th January, 1950 which is celebrated as the Republic Day every year.

The Constitution is the supreme law of the land. It lays down the framework to make laws, govern the country, establish a structure of policies, procedures, powers and duties of the Union and State governments. It states out the Fundamental Rights, Directive Principles and Duties of citizens.



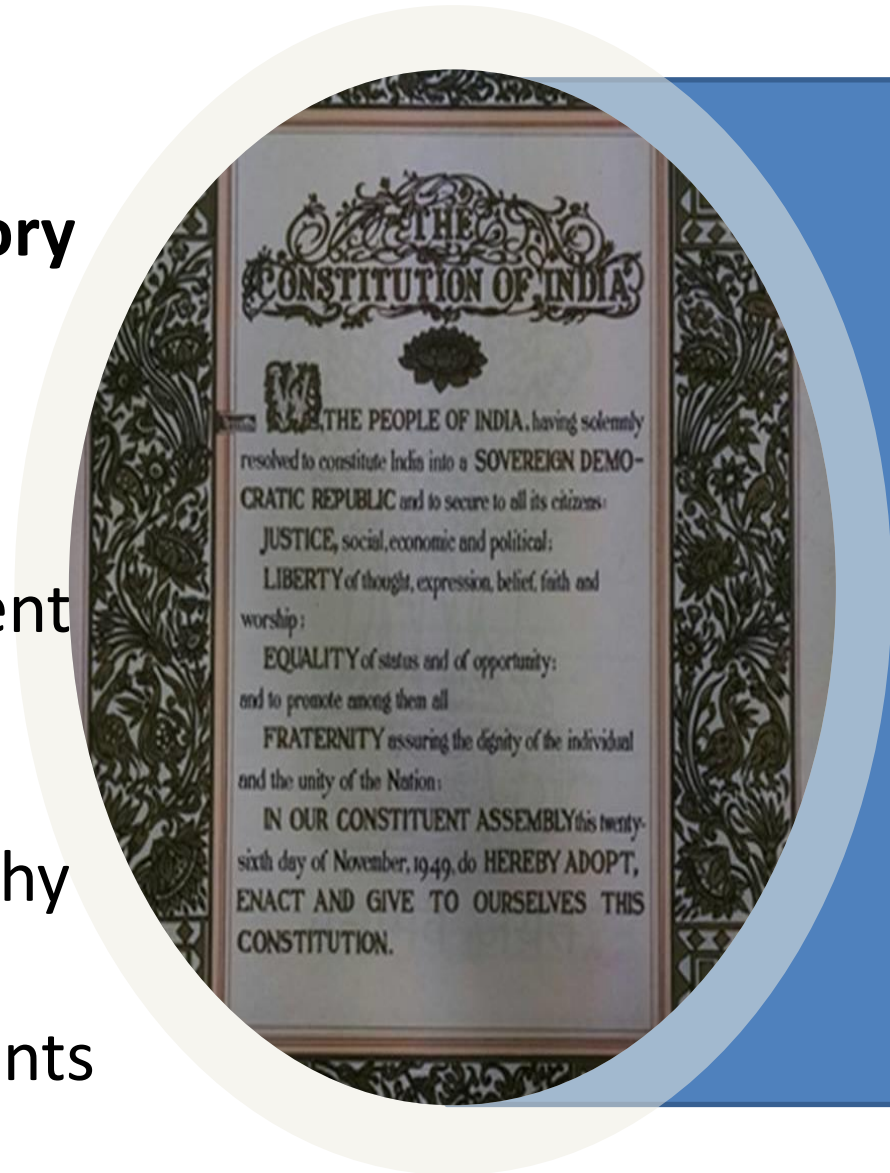
It all began with the constituent assembly setting up a Drafting Committee on 29th August 1947 to frame the Indian Constitution. The Chairman of the Drafting Committee was Dr. B. R. Ambedkar along with six other members while the constitutional adviser was B. N. Rau. (Inspired majorly by the British Constitution.)



THE PREAMBLE

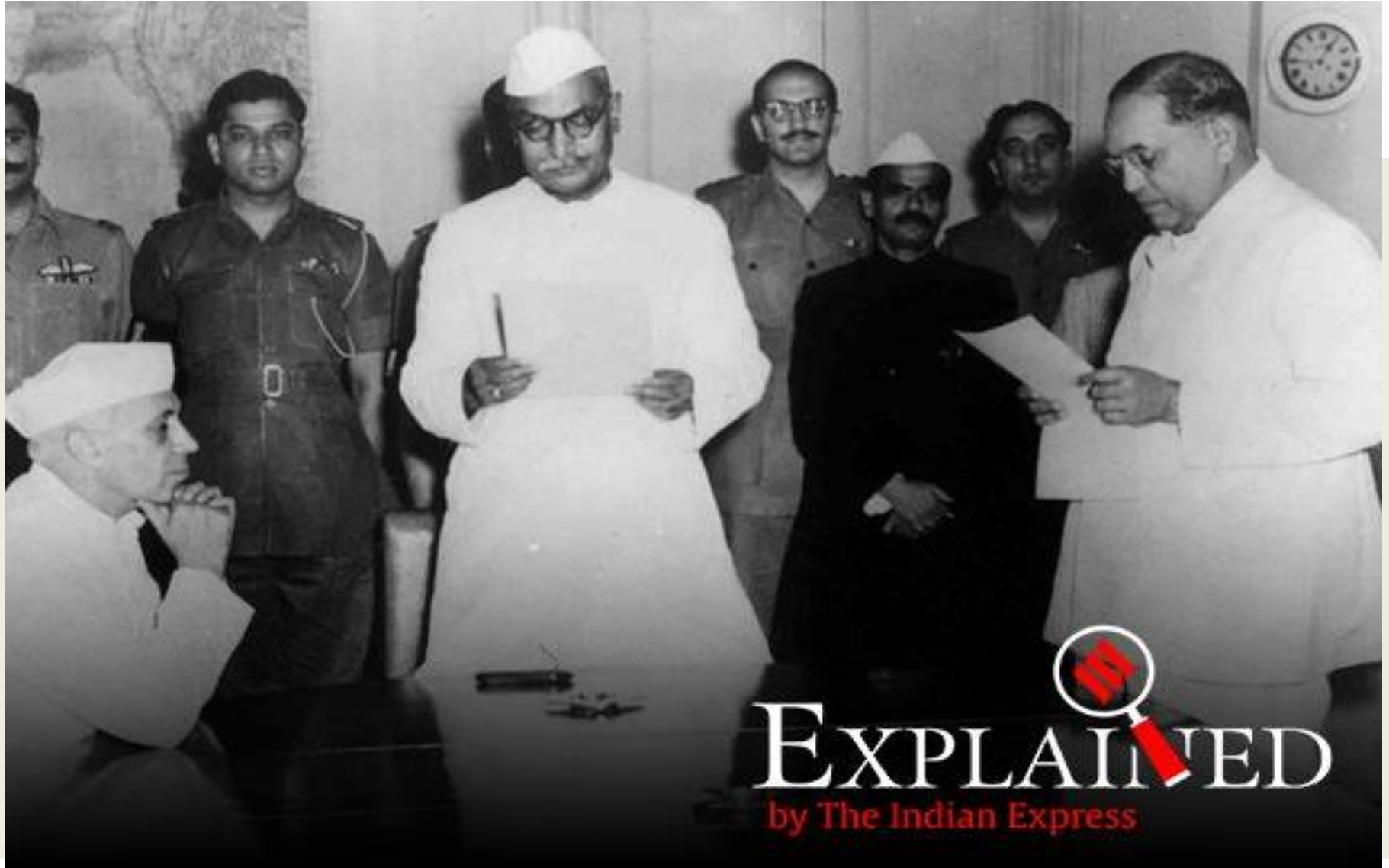
- **What is a Preamble, and what is the history of the Preamble to India's Constitution?**

A preamble is an introductory statement in a document that explains the document's philosophy and objectives. In a Constitution, it presents the intention of its framers, the history



The preamble (as it is)

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens:
JUSTICE, social, economic and political;
LIBERTY of thought, expression, belief, faith, and worship;
EQUALITY of status and of opportunity;
and to promote among them all
FRATERNITY assuring the dignity of the individual and the unity and integrity of the Nation;



Key words in the Preamble

We, the people of India: It indicates the **ultimate sovereignty of the people of India**. Sovereignty means the independent authority of the State, not being subject to the control of any other State or external power.

Sovereign: The term means that India has its own independent authority and it is not a dominion of any other external power. In the country, the legislature has the power to make laws which are subject to certain limitations.

Socialist: The term means the **achievement of socialist ends through democratic** means. It holds faith in a mixed economy where both private and public sectors co-exist side by side.

Secular: The term means that all the religions in India get equal respect, protection and support from the state.

Democratic: The term implies that the Constitution of India has an established form of Constitution which gets its authority from the will of the people expressed in an election.

Republic: The term indicates that the head of the state is elected by the people. In India, the President of India is the elected head of the state.

Objectives of the preamble

- The Constitution is the supreme law and it helps to **maintain integrity in the society** and to **promote unity among the citizens** to build a great nation. The main objective of the Indian Constitution is to **promote harmony throughout the nation**.
- The factors which help in achieving this objective are:
 - **Justice:** It is necessary to maintain order in society that is promised through various provisions of **Fundamental Rights** and **Directive Principles of State Policy** provided by the Constitution of India.
 - **Social Justice** – Social justice means that the Constitution wants to create a society without discrimination on any grounds like caste, creed, gender, religion, etc.
 - **Economic Justice** – Economic Justice means no discrimination can be caused by people on the basis of their wealth, income, and economic status. Every person must be paid equally for an equal position and all people must get opportunities to earn for their living.(progressive taxes)
 - **Political Justice** – Political Justice means all the people have an equal, free and fair right without any discrimination to participate in political opportunities.

Equality: The term 'Equality' means no section of society has any special privileges and all the people have given equal opportunities for everything without any discriminations. Everyone is equal before the law.

Liberty: The term 'Liberty' means freedom for the people to choose their way of life, have political views and behavior in society. Liberty does not mean freedom to do anything, a person can do anything but in the limit set by the law.

Fraternity: The term 'Fraternity' means a feeling of brotherhood and an emotional attachment with the country and all the people. Fraternity helps to promote dignity and unity in the nation.



सत्यमेव जयते

FUNDAMENTAL RIGHTS

DEFINITION

- **Fundamental Rights** are essential human rights that are offered to every citizen irrespective of caste, race, creed, place of birth, religion or gender. These are equal to freedoms and these rights are essential for *personal good* and the *society* at large.

Fundamental Rights.

Right to
Equality

Right to
Freedom

Right against
Exploitation

Right to
freedom of
Religion

Cultural and
Educational
Rights.

Rights to
Property.

Right to
Constitutional
remedies.

RIGHT TO EQUALITY



- ❖ **RULE IS SAME FOR EVERY INDIAN CITIZEN**
- ❖ **NO DISCRIMINATION ON BASIS OF CASTE, RELIGION ,ETC.**
- ❖ **EVERYONE IS EQUAL – BASIC LAW**

RIGHT TO FREEDOM



- ❖ FREE TO SPEAK AND EXPRESS THEIR VIEWS
- ❖ FREEDOM TO ASSEMBLE AND GATHER IN GROUPS
- ❖ FREE TO CHOOSE ANY OCCUPATION BUT HAVE TO REMEMBER RESTRICTIONS WHILE ENJOYING THE FREEDOM

RIGHT TO FREEDOM OF RELIGION



- ❖ FREEDOM TO FOLLOW OUR RELIGION
- ❖ NO DISCRIMINATIONS BETWEEN RELIGIONS
- ❖ THIS SHOWS INDIA IS SECULAR COUNTRY

CULTURAL AND EDUCATIONAL RIGHTS



- ❖ ALLOWS TO PRACTICE THEIR CULTURE, LANGUAGE OR SCRIPT
- ❖ MINORITIES ESTABLISH THEIR OWN INSTITUTIONS
- ❖ INDIAN CONSTITUTION - PROTECTS MAJORITY AS WELL AS MINORITY POPULATION

RIGHT AGAINST EXPLOITATION



- ❖ THIS RIGHT IS USED TO PROTECT CITIZENS BEING FORCED TO WORK
- ❖ INCLUDES CHILD LABOUR, WORKING WITHOUT WAGES , BUYING AND SELLING OF HUMAN.

RIGHT TO CONSTITUTIONAL REMEDIES



- ❖ MEANS REMEDIES OR SOLUTIONS TO PROBLEMS LIKE CHILD ABUSE, ETC.
- ❖ INDIANS CAN APPROACH COURT
- ❖ JUDICIARY- GUARDIAN OF OUR RIGHTS

RIGHT TO PROPERTY UNDER ARTICLE 31



EVERY CITIZEN HAS THE RIGHT TO ACQUIRE, HOLD AND DISPOSEE
A PROPERTY.

4 MODES OF ACQUISITION OF PROPERTY

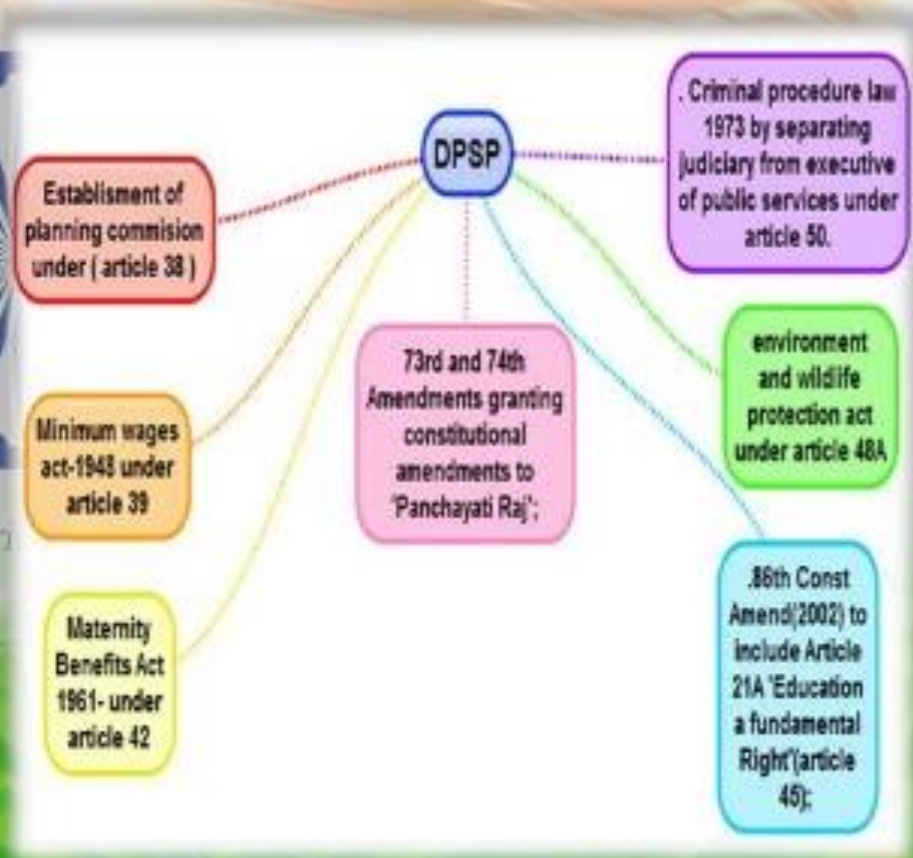
- POSSESSION
- PRESCRIPTION
- AGREEMENT
- INHERITENCE

Definition of Directive Principles Of State Policy

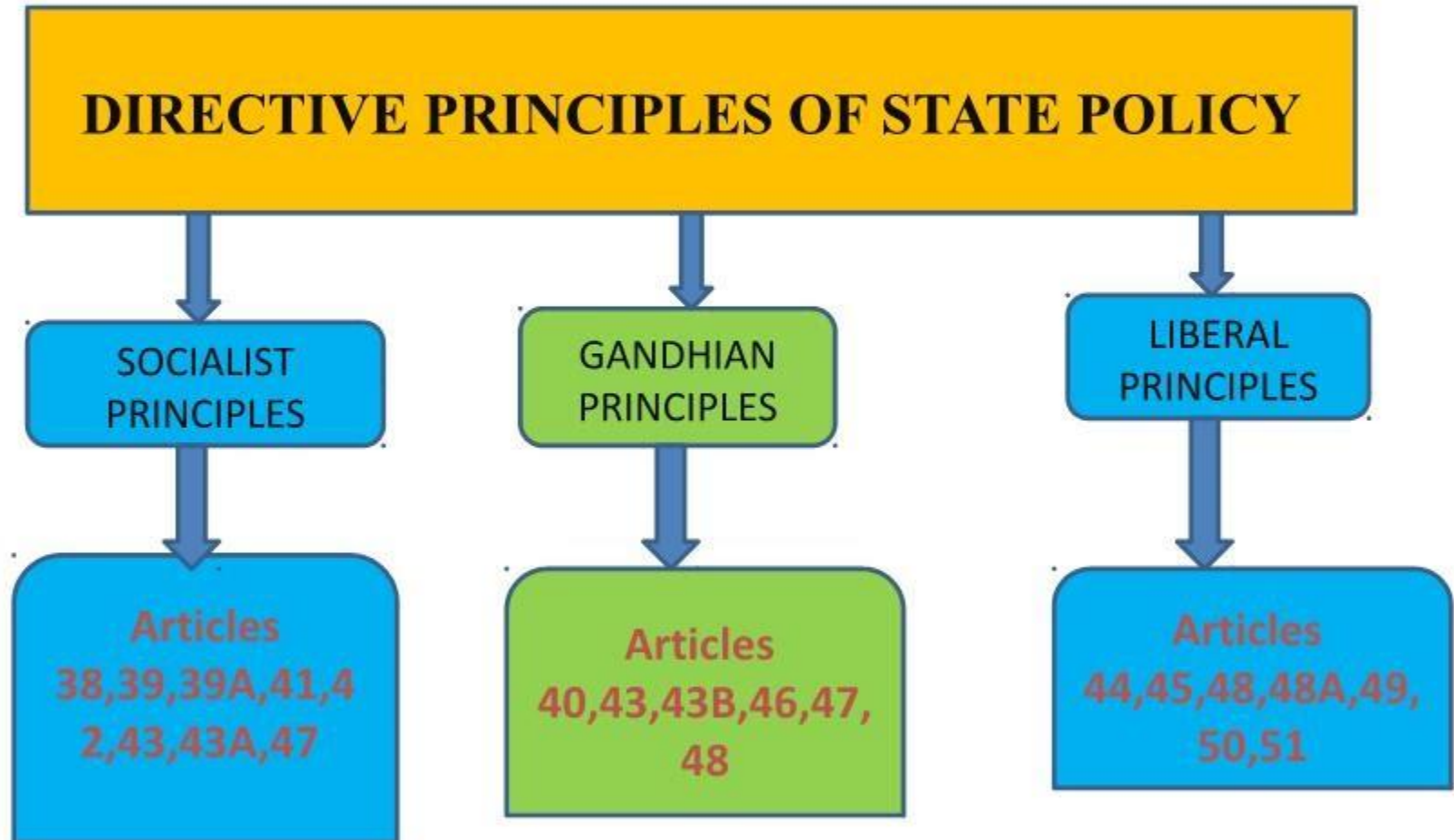
- Part IV of Indian Constitution describes 'Directive Principles of State Policy' (DPSP). This Section of The Indian Constitution prescribes the fundamental obligations of the State to its citizens and the duties of the citizens to the State.



By Pri



CLASSIFICATION OF DIRECTIVE PRINCIPLES OF STATE POLICY



Categories Of The Directive Principles :

- **Socialistic Directives**: This part contains the directives for securing the welfare of the people of India, equal distribution of the material resources of the country, protection of the fundamental rights of the children and youth, equal pay for equal work, education etc.
- **Gandhian Directives**: Under these directives are the guidelines for organising village Panchayat, prohibition of intoxicating drinks and cow-slaughter, secure living wage, decent standard of life, and to promote cottage industries, to provide free and compulsory education to all children up to 14 years of age etc.
- **Liberal Intellectual Directives**: In this section there are guidelines for uniform civil code throughout the country and the legislatures to follow in issuing orders or making laws.



Reference

- <https://www.wbpscupsc.com/dpsp-directive-principles-of-state-policy/>
- <https://r9tv.com/national-law-day/>
- <http://www.legalserviceindia.com/legal/article-916-directive-principles-of-state-policy-dpsps-.html>
- <https://byjus.com/free-ias-prep/directive-principles-of-state-policy/>
- <https://data-flair.training/blogs/fundamental-rights-and-duties-in-indian-constitution/>
- VIDEO
- <https://www.youtube.com/watch?v=Z149N2iSyyg>

Industrial Policy Of India

1948, 1956, 1977, 1980, 1990 & 1991

Unit- III

(12 Periods)

Industrial policy Resolutions in India -
Meaning – Need & Importance of
Industrial policy - Industrial policy
resolutions 1948 & 1956 – The New
Industrial policy 1991 – Features –
Meaning of Liberalization, Privatization
and Globalization

WHAT IS AN INDUSTRY?

- Industry consists of all those firms which produce goods and services.
- In other words , industry is that part of the business which creates form utility.
- An industry may be defined as a group of firms competing against one another.
- For example-the tire industry is made up of all the tire manufacturing firms like MRF, Dunlop,Ceat,J.K,Apollo etc.

THE INDUSTRIAL REVOLUTION

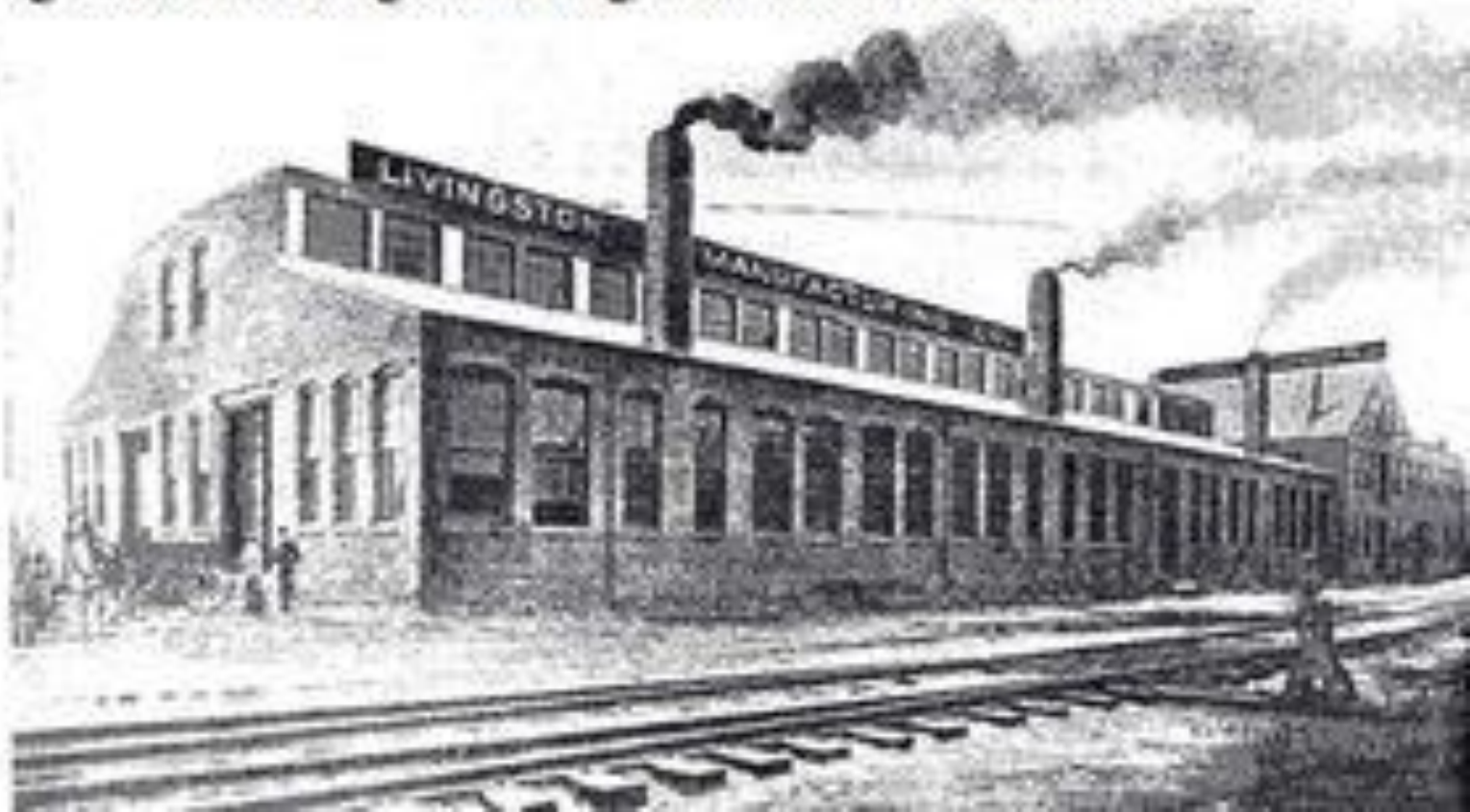
For thousands of years, people wove textiles by hand to create clothes. Pretty much all other objects were made this way as well. **The Industrial Revolution** refers to the increased output of machine-made goods that began in England in the middle 1700's.

Building

Blocks

the
Industrial

Revolution



4.0

4th revolution

Cyber physical
systems



3.0

3rd revolution

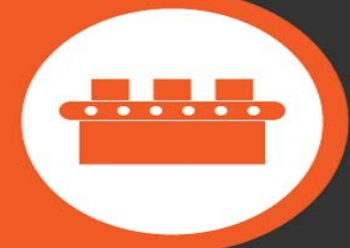
Electronic and IT
systems, automation



2.0

2nd revolution

Mass production and
electricity



1.0

1st revolution

Mechanization, steam
and water power



Four Industrial Revolutions



1765

1st revolution

MECHANIZATION

led by the steam engine



1870

2nd revolution

**MASS
PRODUCTION**

driven by electricity
and oil-based power



1969

3rd revolution

**AUTOMATED
PRODUCTION**

supported by electronics
and information
technologies



Today

4th revolution

**NEW
TECHNOLOGIES**

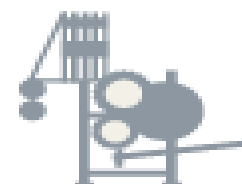
Internet of Things (IoT),
Artificial Intelligence (AI);
Big Data, Cloud,
Cyber-Physical Systems...

| From Industry 1.0 to Industry 4.0

1.0

1784

based on mechanical production equipment driven by water and steam power



2.0

1870

based on mass production enabled by the division of labor and the use of electrical energy



3.0

1969

based on the use of electronics and IT to further automate production



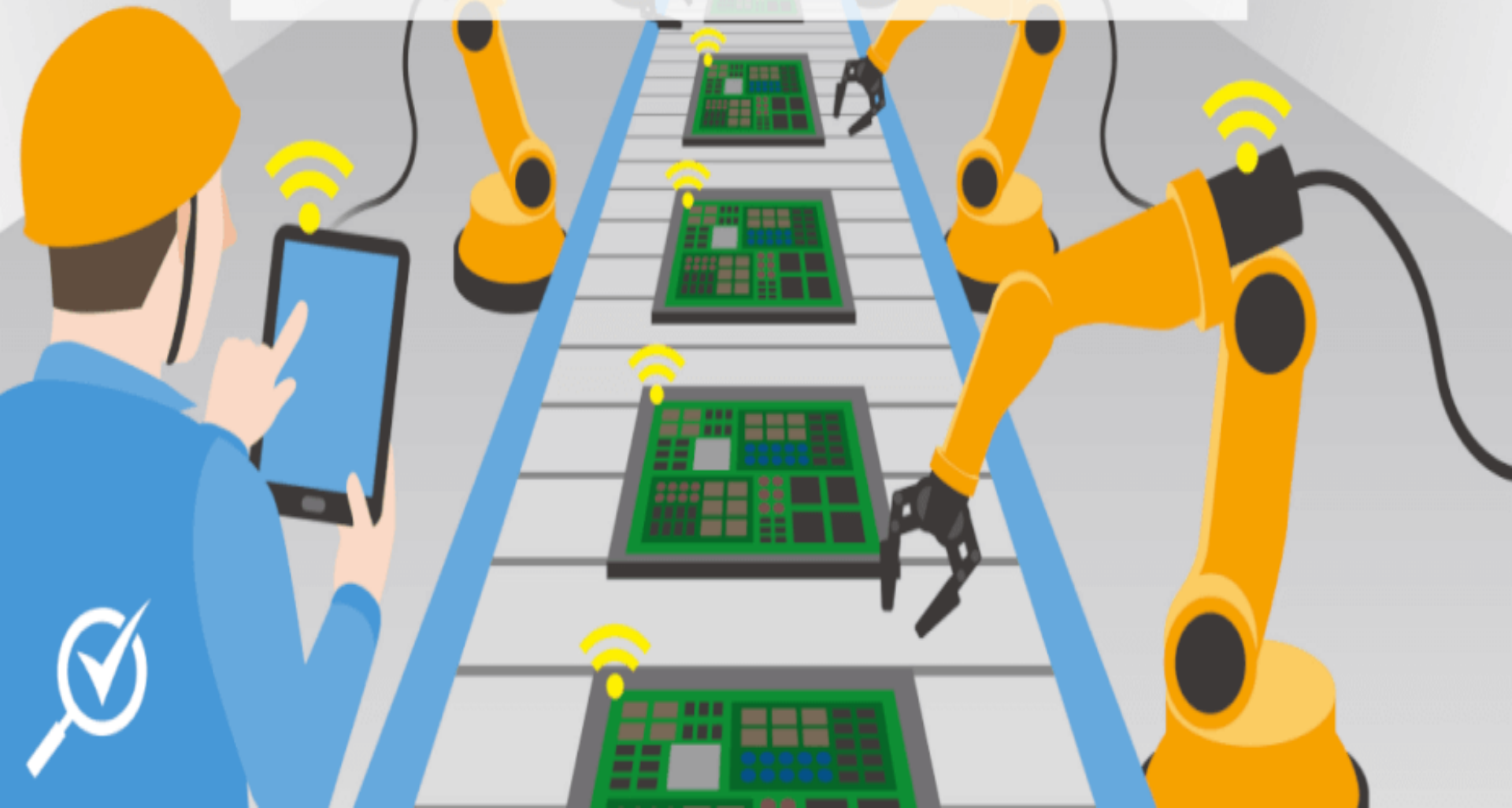
4.0

tomorrow

based on the use of cyber-physical systems



What is INDUSTRY 4.0?



- The **Fourth Industrial Revolution** (or **Industry 4.0**) is the ongoing automation of traditional manufacturing and industrial practices, using modern smart technology.
- Large-scale machine-to-machine communication (M2M) and the internet of things (IoT) are integrated for increased automation, improved communication and self-monitoring, and production of smart machines that can analyze and diagnose issues without the need for human intervention
- Industry 4.0 refers to the transformation of industry through the intelligent networking of machines and processes with the help of information and communication technology (ICT). The term is used interchangeably with the 'fourth industrial revolution'



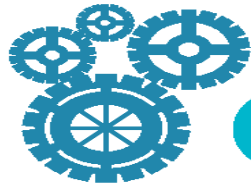
The Revolution

The First

1st

INDUSTRIAL REVOLUTION

for the



development of hot engines

for the



generation of electricity

Kick-starting the replacement



of manual Labour

with machinery and shifting the population towards



urbanisation

The Second

2nd

INDUSTRIALISATION known as the

Technological Revolution.



the emergence of new sources of energy such as :



Transportation a MAJOR breakthrough connecting cities & communities



through the railroads

The Third

3rd

INDUSTRIALISATION REVOLUTION

the rise of electronics and use of



information to automate production

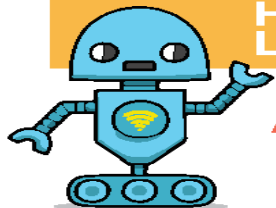


High Level



automation in production

Automation & Robots



The Fourth

4th

Industry 4.0 is epitomised by the exponential expansion of emerging technologies

cyber - physical systems (CPS)



as well



as dynamic data processing that blurs the lines between the

PHYSICAL



DIGITAL



BIOLOGICAL REALMS



Industrial Policy Resolution, 1948.

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graph TD; A[Industrial Policy Resolution, 1948.] --> B[Industrial Policy Resolution, 1956.]; B --> C[Monopolies and Restrictive Trade Practices Act, 1969.]; C --> D[Liberalisation of Industrial Policy Regime, 1980s.]; D --> E[New Industrial Policy, 1991.];
```

Industrial Policy Resolution, 1956.

Monopolies and Restrictive Trade Practices Act, 1969.

Liberalisation of Industrial Policy Regime, 1980s.

New Industrial Policy, 1991.

Industrial Policy



MEANING OF INDUSTRIAL POLICY

- Industrial policies means rules, regulations, principles, policies, procedures laid down by government for regulating, developing and controlling industrial undertakings in the country.
- It prescribes the respective roles of the public, private, joint and co-operative sectors for the development of industries



- Industrial Policy is the set of standards and measures set by the Government to evaluate the progress of the manufacturing sector that ultimately enhances economic growth and development of the country.
- The government takes measures to encourage and improve the competitiveness and capabilities of various firms.
- **Objectives of Industrial Policy**
 - To maintain steady growth in productivity.
 - To create more employment opportunities.
 - Utilize the available human resources better
 - To accelerate the progress of the country through different means
 - To match the level of international standards and competitiveness

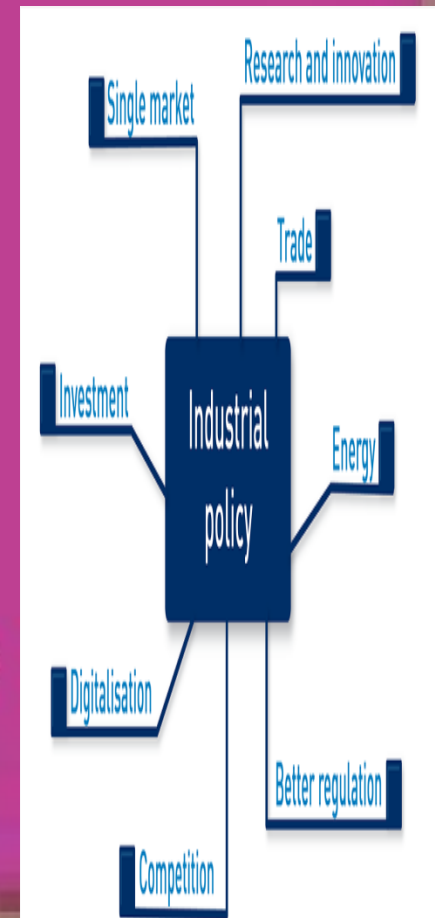
IMPORTANCE

Reasons for Importance of Indl. Policy:

➤ **Limited Capacity of Private Sector:**

➤ **Regulation of Private Sector:**

➤ **Regulation of Foreign Sector:**



INDUSTRIAL POLICIES IN INDIA

- **Industrial Policy Resolution 1948**
- **Industrial (Dev. & Reg.) 1956**
- **Industrial Policy 1977**
- **Industrial Policy 1980**
- **New Industrial Policy 1991**

Industrial Policies of India

- India has a mixed economy which means that the public and private sector exist together.
- Therefore, it is important that the government declares industrial policies which clearly indicate the sphere of the State and the private enterprises.
- On April 30, 1948, the Government of India passed a policy resolution – The Industrial Policy Resolution, 1948 (IPR, 1948).
- <http://www.authorstream.com/Presentation/writetoleena-574205-industrial-policy/>
- <https://www.learnpick.in/prime/documents/ppts/details/1231/industrial-policy-resolution>

Industrial Policy Resolution, 1948

- It declared the Indian economy as Mixed Economy
- Small scale and cottage industries were given the importance.
- The government restricted foreign investments

Industrial Policy 1948



MAIN FEATURES OF IPR 6.4.1948

Classification of Industries

- (i) **Public Sector:** Central Government Monopoly:
 - (a) Arms and Ammunition, (b) Atomic Energy and
 - (c) Railway Transport,
- (ii) **Public cum Private Sector:** The State would be exclusively responsible for the establishment of new undertakings in six basic *industries-viz.* Coal, Iron Steel, Aircraft, Shipbuilding, Mineral Oil, Telephone Cables and Wireless apparatus.
- (iii) **Controlled Private Sector:-** The rest of the industrial field was left open to private enterprise though it was made clear that the State would also progressively participate in this field.

MAIN FEATURES OF IPR 6.4.1948

Cottage and Small Scale Industries

Setting up of Special Financial Institution

Labour and Capital Relations

Amicable atmosphere and Equitable Distribution

Attitude towards Foreign Capital

Importance Recognized but Full Control Required.

Change in Tariff Policy

Heavy tariffs for domestic protection

Social Overheads

Transport, Electricity, irrigation, capital goods etc.

Planning Commission

According to the Industrial Policy Resolution, 1948, how was the industrial sector divided

- According to the IPR, 1948, the industrial sector was divided into four groups:
 - Basic and strategic industries like arms and ammunition, atomic energy, railways, etc.
 - Key industries like coal, iron and steel, shipbuilding, manufacture of telegraph, telephone, mineral oils, etc.
 - A total number of 18 industries including automobiles, tractors, machine tools, etc.
 - All the remaining industries.

Industrial Policy Resolution, 1956 (IPR 1956)

- This policy laid down the basic framework of Industrial Policy
- This policy is also known as the Economic Constitution of India
- It is classified into three sectors
- Schedule A – which covers Public Sector (17 Industries)
- Schedule B – covering Mixed Sector (i.e. Public & Private) (12 Industries)
- Schedule C – only Private Industries
- This has provisions for Public Sector, Small Scale Industry, Foreign Investment. To meet new challenges, from time to time, it was modified through statements in 1973, 1977, and 1980.

MAIN FEATURES OF IPR 30.4.1956

Cottage and Small Scale Industries

Setting up of Industrial Co-operate Societies

Fair Treatment to Private Sector

Giving Facilities as Power, Transport and Finance

Balanced Regional Growth

Special Provisions and Facilities.

Technical and Managerial Know-how

Training institutions and managerial courses.

MAIN FEATURES OF IPR 30.4.1956

Proper Amenities to Labourers

Social Security Measures, Pension benefits, participation in management etc.

Proper Management of Public Enterprises

Efficient Management

Foreign Capital

Large Scale Concessions.

Flexible

Categories could be changed.

Industrial Policy Statement, 1977

- This policy majorly focused on Decentralisation
- It gave priority to small scale Industries
- It created a new unit called “Tiny Unit”
- This policy imposed restrictions on Multinational Companies (MNC).

MAIN FEATURES OF IPR 23.12.1977

Small Scale Industries

More emphasis, District Industry Sector, Separate cell in Industrial Development Bank, More attention on standardization, marketing and quality control..

Labour Intensive Technologies

To create more employment

Balanced Regional Growth

No more licenses within metros (10 lakhs) and other cities above 5 lakhs.

Role of Large Scale Industries

limited to certain key areas like capital goods, iron and steel, petroleum, fertilizers etc.

MAIN FEATURES OF IPR 23.12.1977

Licensing Policy

Big units would not allow to expand, small will.

Public Sector

Efficient management to make them viable.

Indigenous and Foreign technology

Industries based on Indigenous Tech. where lacking govt. will buy sophisticated tech. Foreign Tech Restd.

Role of Large Scale Industries

Selectively take over sick industries and measure to rehabilitate.

Workers Participation in Mgmt

Industrial Policy Statement, 1980

•

The Industrial Policy Statement of 1980 addressed the need for **promoting competition in the domestic market**, modernization, selective Liberalization, and technological up-gradation.

Due to this policy, the MRTP Act (Monopolies Restrictive Trade Practices) and FERA Act ([Foreign Exchange Regulation Act](#), 1973) were introduced.

The objective was to liberalize the industrial sector to increase industrial productivity and competitiveness of the industrial sector.

The policy laid the foundation for an increasingly competitive export-based and for encouraging foreign investment in high-technology areas.

MAIN FEATURES OF IPR 23.07.1980

Small Industries

The investment limit in the case of tiny units was enhanced to Rs.2 lakh, of a small scale units to Rs.20 lakh and of ancillaries to Rs.25 lakh. Scheme for raw material to SSI

Khadi and Village Industries Promoted

Balanced Regional Growth

Both large and small industries will be developed

Regularization of Excess Installed Capacity:

MAIN FEATURES OF IPR 23.07.1980

Automatic Growth for Large scale

Public Sector

Efficient management, More training.

Sick Enterprises

Tax concession, Govt takeover

Export Oriented Industries

Import of tech, raw material.

Development of Backward Area

Price Stability: Hoarding Speculation

Infrastructure: Energy, Tpt, Coal, Alt. Energy

New Industrial Policy, 1991


- The New Industrial Policy, 1991 had the main objective of providing facilities to market forces and to increase efficiency.
- Larger roles were provided by
- L – Liberalization (Reduction of government control)
- P – Privatization (Increasing the role & scope of the private sector)
- G – Globalisation (Integration of the Indian economy with the world economy)
- Because of LPG, old domestic firms have to compete with New Domestic firms, MNC's and imported items

AREAS OF INDUSTRIAL POLICIES BY GOVT.

- ▶ **Industrial licensing policies**
 - ▶ **Foreign investment**
 - ▶ **Foreign technology agreement**
 - ▶ **Public sector policy**
 - ▶ **MRTTP act**
- 

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7th Edition

THE **GLOBAL**
ENVIRONMENT

Institutions, Law, and Policy

REGINA AZEVEDO • TRACY D. VANDEVEER



Unit- IV (12 Periods)

Global Environment - Meaning – Merits and Demerits of Globalization – GATT (General Agreement on trade and tariff) – Meaning, Objectives – WTO and its functions - MNCs (Multinational Companies) – Benefits and limitations of MNCs.

Meaning of Global Environment

The process of integration of the world into huge market even political and geographical barrier becomes irrelevant. In other words the company commits itself heavily with several manufacturing locations around the world and offers products in several diversified industries.

Ex: Toyota, General Electrical, MC Donald, Suzuki, Uniliver, Shell, Sony, Ford ,IBM, Microsoft, City group, Intel, Ranbaxy, Philips etc

Globalization

Globalization is defined as the increasing process of interdependence and interconnected between different political, social and economic components of the world. It is the way in which the world is seen as the global village.

- Globalization is the free movement of goods, services and people across the world in a seamless and integrated manner.
- The process by which businesses or other organizations develop international influence or start operating on an international scale



Unit- V (10 Periods)

<https://www.slideshare.net/deepbaazigar/social-responsibilities-of-business-76714999>

Social Responsibility of Business -
Concept – Responsibility to
shareholders , Employees, Consumers
and community – Business ethics-
meaning and importance.

ENVIRONMENT



WORKPLACE



MARKETPLACE



SOCIETY



WHAT IS SOCIAL RESPONSIBILITY IN BUSINESS?

- Social responsibility in business, also known as corporate social responsibility (CSR), pertains to people and organizations behaving and conducting business ethically and with sensitivity towards social, cultural, economic, and environmental issues. Striving for social responsibility helps individuals, organizations, and governments have a positive impact on development, business, and society.

Definition

Corporate Social Responsibility



The responsibility of business towards the society



Environment


Corporate Social
Responsibilities
(CSR)

Community
Development

Human
Resources

Workplace

Definition of 'Social Responsibility'

- ▶ Social responsibility is the obligation of the decision makers to take actions which protect and improve the welfare of the society as a whole along with their own interests.
 - Howard R. Bowen
 - ▶ Social responsibility of business has responsibility to the customer, workers, shareholders and the community.
- 

The Pyramid of Social Responsibility





Factors affecting Social Responsibility of Business –

- Promoters and Top management
- Board of directors
- Shareholders
- Societal Factors
- Industry and Trade Associations
- Government and Legal System
- Political Influences
- Competitors
- Resources

Benefits Of CSR



Why should business be socially responsible

- The obligation of any business to protect and serve public interest is known as social responsibility of business
 - Public Image
 - Government Regulation
 - Survival and Growth –
 - Employee satisfaction
 - Consumer Awareness

Social Responsibilities Towards Different Groups

- **Responsibility towards the shareholders or owners**
- **Responsibility towards the Employees**
- **Responsibility towards the Consumers**
- **Responsibility towards the Government**
- **Responsibility towards the Community**



SHAREHOLDER

- Social Responsibility towards different groups/sections in the society
- **Towards Shareholders –**
- To ensure safety of their investment
- Regular payment of dividend and Timely payment of loans
- To provide adequate information before investment
- To ensure a good public image
- To make good and profitable decisions to give a good return on investment

Towards Employees –



- Payment of Fair wages
- Providing a good working environment
- Providing proper training and education
- Providing fair performance appraisal and career growth opportunities
- Providing opportunity to participate in management decision making
- Providing adequate grievance handling, recreational and retirement facilities.

Towards Consumers –



- To provide goods and services at a reasonable price
- To ensure good quality in products
- To introduce new and innovative products by proper research and development
- To not mislead the customer
- To provide adequate information about the product
- To provide good after sale services

Towards Society –



- To take measures for maintaining environmental harmony
- To raise the standard of living of the society
- To help in development of backward areas and promote small scale industries
- To help in economic development of the society
- To conserve the natural resources of the country
- To follow the norms and traditions laid down by the society
- To maintain a fairness and equity in recruitment and compensation of manpower

IMPROVE YOUR BUSINESS WITH COMPETITOR RESEARCH



- **Towards Competitors –**
- To have a healthy competitive spirit
- To not use unfair means to succeed in business
- To not harm or defame the competitors
- To not copy competitors strategy



Social Responsibility of Business – Responsibility towards Government

Towards Government –

Timely payment of taxes and duties

To not involve in corruption

To follow the norms and guidelines laid down by the government

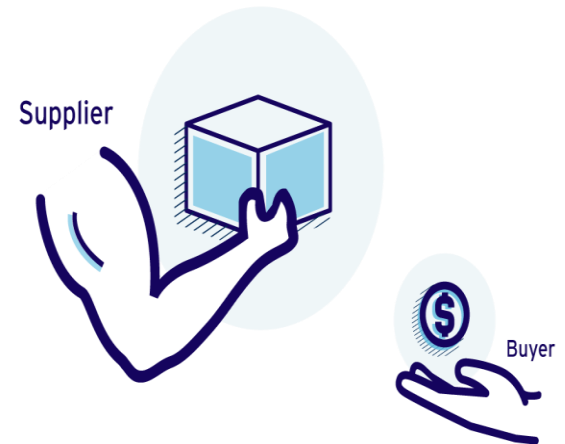
To follow the legal system of the country

To support the government in its public welfare initiatives



Towards Suppliers/Creditors –

- To make regular orders for purchase
- To deal on fair terms and conditions
- To Have a fair credit policy
- Timely payment of dues



Arguments for Social Responsibility

**Existence and growth
of business**

**Avoidance of government
regulations**

**Conducive business
environment**

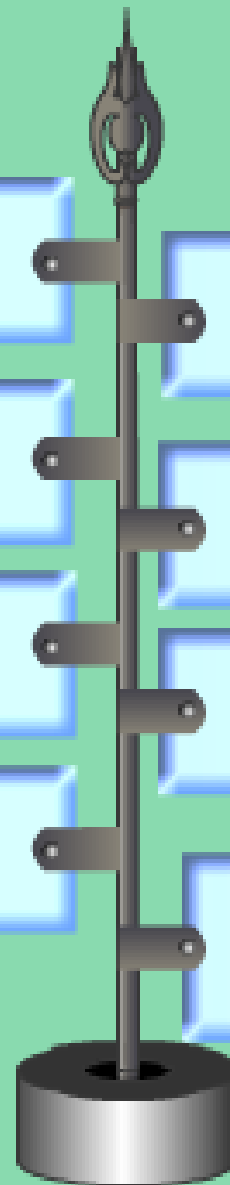
**Creating opportunities out
of problems**

Long term interest of firm

Availability of resources

Social peace and harmony

**Holding business responsible
for social problems**





ARGUMENTS AGAINST SOCIAL RESPONSIBILITY OF BUSINESS

ACCOUNTLEARNING.COM

Arguments against social responsibility

- Violation of profit maximization objective
- Burdon on consumers
- Lack of social skills
- Lack of broad public support.



A close-up photograph of a person's hand holding a stack of six wooden blocks. The blocks are stacked vertically, with the bottom block being red and the others light-colored. The text on the blocks, from top to bottom, is: RELIABILITY, TRUST, PRINCIPLE, MORALITY, RESPONSIBILTY, and BUSINESS ETHICS. The background is blurred, showing a person in a blue shirt. The entire scene is set on a dark wooden surface.

RELIABILITY

TRUST

PRINCIPLE

MORALITY

RESPONSIBILTY

BUSINESS ETHICS

ETHICS

MEANING:

Ethics is the study of morals and moral choices. It focuses on standards, rules and code of conduct that govern the behavior of individuals and groups. They give us idea about what is right or wrong, true or false, fair or unfair.



BUSINESS ETHICS

<https://commercemates.com/importance-of-business-ethics/>

MEANING:

Business Ethics is a specialized study of moral, right or wrong in a business. It defines written and unwritten codes of principles and values that govern decisions and actions within a company. In the business world the organizations culture sets standards for determining the difference between good and bad decision making and behavior.

"Business ethics is the study of the standards of business behavior which promote human welfare and the good."

Kirk O. Hanson

Business Ethics:

Meaning, Types, Approaches (1 of 2)

Ethics – is the discipline that deals with moral duty and obligation.

Moral Conduct - relates to principles of right, wrong, and fairness in behavior.

Business Ethics -

- Is concerned with morality and fairness in behavior, actions, and practices that take place within a business context.
- Is the study of practices in organizations and is a quest to determine whether these practices are acceptable or not.

3 C'S OF BUSINESS ETHICS

COMPLIANCE

CONTRIBUTION

CONSEQUENCES

NATURE OF BUSINESS ETHICS

- Deals with human conduct
- Creates goodwill to maximize profit
- Earns loyalty and commitment of customers and employees
- Brings together desired moral values and corporate interests
- Success in the long term

CHARACTERISTICS OF BUSINESS ETHICS

- As a Guide
- Goals and Means
- Art and Science
- Study human aspects
- Different from Social Responsibility
- Development of Personal Dignity
- Unrelated to Emotions
- Universal Philosophy

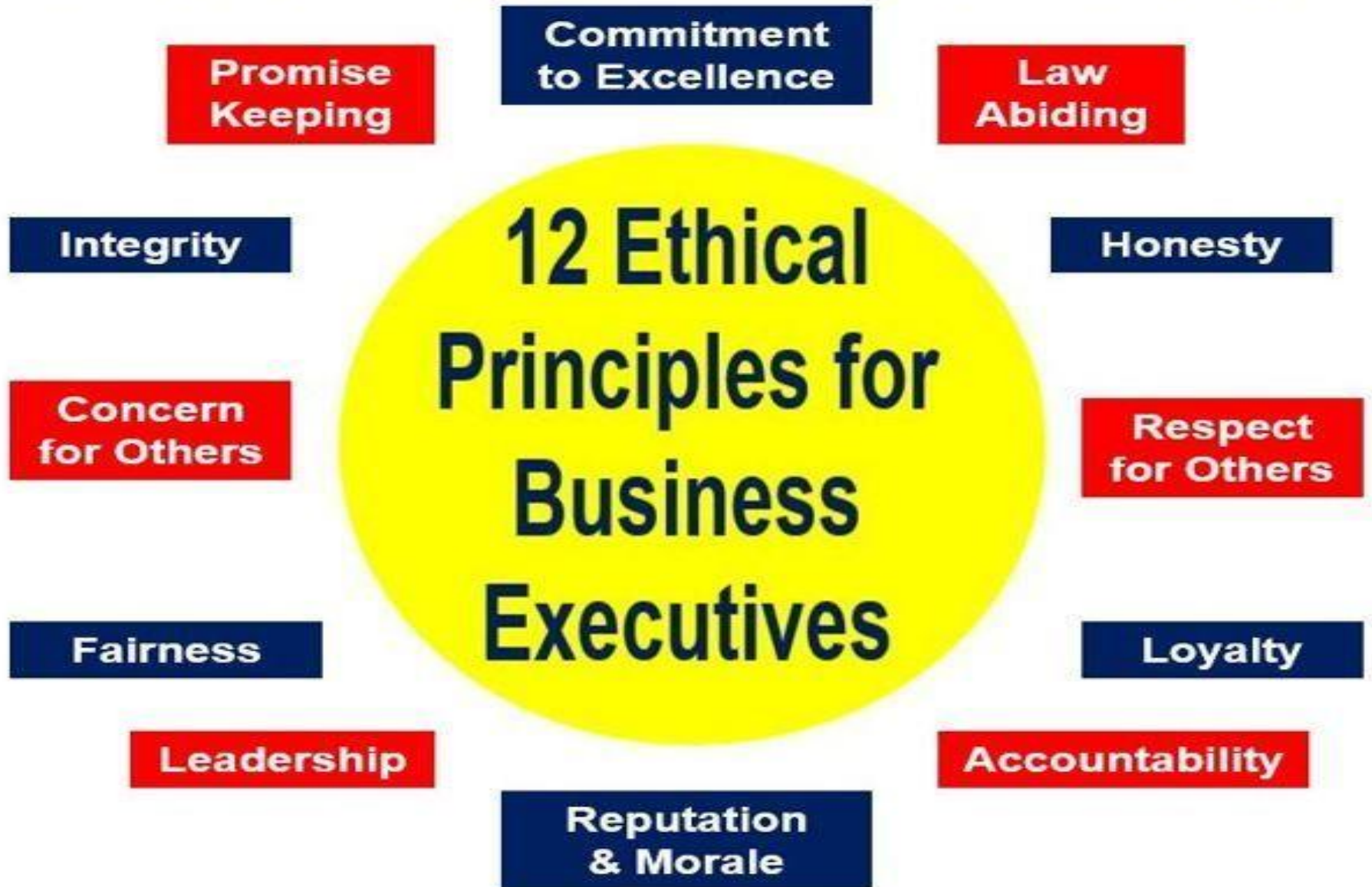
Importance of Business Ethics

- Control Business Malpractices
- Better Relation with Employees
- Improves Customer Satisfaction
- Increase Profitability
- Improves Business Goodwill
- Better Decision Making
- Protection of Society

NEEDS OF BUSINESS ETHICS

- 1 • Stop business malpractices
- 2 • Improve consumers confidence
- 3 • Survival of business
- 4 • Protecting consumers rights
- 5 • Protecting employees, shareholders, etc.
- 6 • Develops good relations between business and society
- 7 • Creates good image of business
- 8 • Smooth functioning of business
- 9 • Consumer movement
- 10 • Consumer satisfaction
- 11 • Importance of labour
- 12 • Healthy competition

Business Ethics



TYPES OF BUSINESS ETHICS

- 1. METAETHICS – Study of origin and meaning of ethical concepts.
- 2. DESCRIPTIVE ETHICS – Morals of a society describing how people behave.
- 3. NORMATIVE ETHICS – Study of principles, rules or theories that guide our actions and judgements.
- 4. APPLIED ETHICS – Analysis of specific, controversial, moral issues like abortion, animal rights.