First Year B.Com

Business Environment

Authors:

Dr. K. Srinivasa Rao
Lecturer in Commerce
Govt. Degree College, Ravulapalem

Sri. V. Krishna Mohan
Principal (Retired)
SKBR College, Amalapuram

Editor:

Dr. P. Mohan Reddy
Professor of Commerce
Sri Venkateswara University
Tirupathi

ANDHRA PRADESH
STATE COUNCIL OF HIGHER EDUCATION
(A Statutory Body of the Government of A.P)
B.Com. (First Year- Semester-I) : Business Environment

Authors : Dr. K. Srinivasa Rao
         Dr. V. Krishna Mohan

Editor : Dr. P. Mohana Reddy

First Edition : 2021: No. of Pages:

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First Edition: 2021

Published by APSCHE, Atmakur(V), Mangalagiri(M), Guntur

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APSCHE TEXT BOOK

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The Andhra Pradesh State Council of Higher Education, in line with the directions of the Hon’ble Chief Minister of Andhra Pradesh, introduced English Medium in all Degree programmes from this academic year 2021-22. As part of empowering the students joining Degree programmes from vernacular medium, the Andhra Pradesh State Council of Higher Education is bringing out podcasts, video casts and notably the bilingual text books. These bilingual books are written in English, with the gist of the content in Telugu to enable the students to comprehend the content in their mother tongue. The bilingual text books is envisioned on the core concept of Outcome Based Education, highlighting the learning outcomes for every chapter. These are better called as bilingual resources rather than textbooks, as the APSCHE has developed a template for the bilingual textbooks designing them with concepts and frameworks going beyond the usual reading material.

Furhering the detailed description of the topics, as per the common syllabus of the Redesigned Curricular Framework for Choice Based Credit System, the bilingual text book contains Glossary, where certain important terms which the student might be unfamiliar with are identified and explained in one or two sentences, which is not a mere dictionary meaning. Links to online videos or audios which will be useful for further reading and understanding of the topics are given under the interactive links. To foster further reading, information on online resources, articles or another text book pertaining to the content are provided. To make the text book more of a resourceful book, Curricular Activities, wherein suggested activities that could be taken up in realization of the outcomes are provided for the benefit of students. To help the students to assess understanding the content, Self Assessment instruments are provided. For Advanced Learners, caters to the needs of advanced learners providing them with additional material about the topics. Finally, for every chapter References are provided.
I sincerely appreciate the Authors and the Editors for taking pains in bringing out this bilingual text book in a record time, replete with knowledge which fosters the academic progression of students. I earnestly thank my Academic Officers, Dr. B.S. Selina, Sri. Srirangam Mathew, Dr. P. Anil Kumar for their coordinating activities and Prof. K. Rama Mohana Rao, The Vice-Chairman of APSCHE under whose guidance the publication is brought out.

K. Hemachandra Reddy
Chairman, APSCHE
Learning Outcomes:
At the end of the course, the student will able to;

- Understand the concept of business environment.
- Define Internal and External elements affecting business environment.
- Explain the economic trends and its effect on Government policies.
- Critically examine the recent developments in economic and business policies of the Government.
- Evaluate and judge the best business policies in Indian business environment.
- Develop the new ideas for creating good business environment.

SYLLABUS:

Unit–I: Overview of Business Environment:

Unit – II: Economic Environment:

Unit–III: Economic Policies:

Unit – IV: Social, Political and Legal Environment: Concept of Social Responsibility of Business towards Stakeholders - Demonetisation, GST and their Impact - Political Stability - Legal Changes.
Suggested Readings:
2. Francis Cherunilam : Business Environment, Himalaya Publishing House
3. Dr S Sankaran : Business Environment, Margham Publications
5. Rosy Joshi and Sangam Kapoor : Business Environment, Kalyanai Publications
7. Dr V Murali Krishna, Business Environment, Spectrum Publications

Suggested Co-Curricular Activities:
• Seminar on overview of business environment
• Debate on micro v/s macro dimensions of business environment
• Co-operative learning
• Seminar on Monetary policies of RBI
• Debate on social, political and legal environment
• Group Discussions on Global environment and its impact on business
• To learn about NITI Ayog and National Development Council
• Seminars on Economic policies like New Industrial policy, Fiscal policy etc.
• Reports on WTO, BRICS, SAARC etc.
• Examinations (Scheduled and surprise tests) on all units
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Learning Outcomes:

After reading this chapter, the student should be able to:
1. understand the nature and scope of the business
2. define vision, mission and goals of business
3. understand environment and business environment
4. examine the characteristics of business environment
5. judge the importance of environment for success of a business

Chapter Layout:

1.1. Business
   1.1.1. Meaning
   1.1.2. Characteristics of Business
   1.1.3. Scope of Business
   1.1.4. Objectives of Business

1.2. Business Environment
   1.2.1. Environment
   1.2.2. Business Environment
   1.2.3. Characteristics of Business Environment
   1.2.4. Importance and Scope of Business Environment
অনুষদ: কর্মিগণ

অনুষদের প্রতিনিধি প্রশিক্ষণের ব্যাপারে এই নীতি ও পদ্ধতি সমর্পণ করছেন। এই নীতি ও পদ্ধতি একটি কর্মশীলতার নিদর্শন হিসেবে চিন্তা করা যেতে পারে। এই নীতি ও পদ্ধতিটি একটি কর্মশীলতার নিদর্শন হিসেবে চিন্তা করা যেতে পারে।

এই প্রশিক্ষণের মাধ্যমে বিভিন্ন প্রশ্ন ও সমস্যার সমাধানের জন্য একটি সম্পর্কিত নীতি ও পদ্ধতি প্রদত্ত হয়েছে। এই নীতি ও পদ্ধতিটি একটি কর্মশীলতার নিদর্শন হিসেবে চিন্তা করা যেতে পারে।

এই নীতি ও পদ্ধতিটি একটি কর্মশীলতার নিদর্শন হিসেবে চিন্তা করা যেতে পারে।
CHAPTER OVERVIEW

Businesses involve production and sale of goods and services in order to gain profits. Business is an economic activity trying to gain profits for the entrepreneur, and provide goods and services for the customer at a competitive price. All business decisions are influenced by several factors which surround it. All those factors together are termed as business environment. Any changes in business environment creates new opportunities and threats to the businesses. Thus a good awareness of business environment is necessary for entrepreneurs and business managers to make proper decisions at opportune times.

The present chapter attempts to define business, and throw a light on characteristics and objectives of business. It also defines business environment, explain how business environment influences businesses. Importance and various characteristics of business environment are also discussed.
According to Keith Davis, “Business as any form of commercial activity to satisfy the economic wants of people at a profit”
1.1. BUSINESS

1.1.1. MEANING
Business is a major economic activity in all modern societies. It is connected with the production and sale of goods and services required by people. The purpose behind business activities is to earn money by meeting people’s demands for goods and services. Business can be defined as a continuous economic activity involving the production and sale of goods and services undertaken with a motive of earning profit by satisfying human needs in society.

According to “L.H. Haney” “Business may be defined as human activities directed towards providing or acquiring wealth through buying and selling goods.”

Business is central to our lives. Business refers to any occupation in which people regularly engage in an activity with a view to earn profit. The activity may consist of production or purchase of goods for sale, or exchange of goods or supply of services to satisfy the needs of other people.

According to Urwick and Hunt, “Business is any enterprise which makes, distributes or provides any service which other members of the community need and are willing to pay for it”.

In terms of Professor Owen, “Business is any enterprise engaged in production and distribution of goods for sale in a market in rendering services for a price.”

As a final point, business is a activity which includes the advanced fields of Trade, Commerce and network of auxiliary services like distribution, banking, insurance, transport to provide goods and services to the society at a profitable price.

1.1.2. CHARACTERISTICS OF BUSINESS

An economic activity
Business is considered to be an economic activity because its main objective is earning money or livelihood. Normal and emotional activities like love, affection, sympathy, caring for a child or any other works linked with sentimental reason cannot be considered as an economic activity. Goods may consist of consumable items or capital goods like machinery, furniture, etc. Services may include facilities offered to consumers in the form of transportation, banking, electricity, and the like.

Production of goods and services
The main activity of business is to sell of goods or services to the needy people. If a person wants to sell goods to others for consumption, he needs to acquire the goods first. Either he produces the goods or acquires the goods from the producer. Thus, every business enterprise acquires the goods from producers for further sale to consumers or users. The word service also occupies the same meaning as goods in the concept of business.
6
Sale or exchange of goods and services
Directly or indirectly, business involves transfer or exchange of goods and services for value. If goods are produced not for the purpose of sale but say for internal consumption, it cannot be called a business activity. Cooking food at home for the family is not business, but cooking food and selling it to others in a restaurant is business. Thus, one of the essential characteristics of business is that there should be sale or exchange of goods or services between the seller and the buyer.

Dealings in goods and services on a regular basis
Business involves sale of goods or services on a regular basis. One single transaction of sale or purchase cannot be considered as business. For example, if a person sells his domestic radio set even at a profit, it will not be considered a business activity. But, if he sells radio sets regularly, it will be regarded as a business activity.

Profit earning
The main characteristic of business is to earn income by way of profit. No business can survive for long time without earning profit. That is why businessmen make all possible efforts to maximize profits, by increasing the volume of sales or reducing costs.

Uncertainty of return
Every business invests money to run its activities with an objective of earning profit. But it is not certain that the business will earn profit or bare loss. Even if we earn profits from business, we cannot assume what amount of profit will be earned. Also, there is always a possibility of losses being incurred.

Element of risk
Risk and profits are the two variables of every business. Risk is caused by some unfavorable events in the business. The risks are related with certain factors like changes in consumer tastes and fashions, changes in methods of production, strike or lockout in the work place, increased competition in the market, fire, theft, accidents, natural calamities, etc.

1.1.3. SCOPE OF BUSINESS

The scope of business is very wide. Trade, business are very similar concepts and are also inter linked. Trade simply denotes purchase and sale of goods, whereas ‘business’ includes all activities from production to distribution of goods and services. It includes industry, trade and other activities like banking, transport, insurance, and warehousing which facilitate production and distribution of goods and services.

According to F.C. Hooper, “The whole complex field of commerce and industry, the basic industries, processing and manufacturing industries, the network of ancillary services: distribution, banking, insurance, transport and so on, which serve and inter-penetrate the world of business as a whole, are business activities.”
1.1.4. ఎంపిక ప్రకటనలు

ఎంపిక ప్రకటనలు ప్రాప్చిందమైంది. ఎంపిక ప్రకటనలు అంతా ప్రాప్చింతి కానీ ప్రతి ప్రాప్చింతి ఎంపిక ప్రకటనలు ఉండవచ్చు. ఎంపిక చిత్రాల ఉండి ఎంపిక ప్రకటనలు ఉండవచ్చు. ఎంపిక చిత్రాలు ఉండి ఎంపిక ప్రకటనలు ఉండవచ్చు.

దర్శక సంస్థలు

దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది. దర్శక సంస్థలు మనం దానికి ఉండాలి ఉంది.
The scope of business encompasses all human activities, which tend to satisfy needs and wants of the human beings living in a society. A large part of the business is concerned with providing the final or finished products or goods to the people desiring them.

Business is universal and everywhere. It is essential to ensure the production and distribution of goods and services to satisfy the economic wants of people at a profit. The nature and scope of business are changing very quickly. The people, who are engaged in business, must have to cope with the changing environment because the people’s attitudes, habits, tastes, likes and dislikes, norms, beliefs, values, perceptions and motives are changing with the change of time.

Business also deals not only with profit motto but also with social responsibility. Business organizations produce goods and services to generate profit but such activities create impact on society as well as the whole community. The responsibility of businessman is to provide the goods and services in a way which is not harmful to the society.

### 1.1.4. OBJECTIVES OF BUSINESS

An objective is the starting point of business. Every business is directed to the achievement of certain objectives, which refer to all that the business people want to get in return for what they do. It is generally believed that business activity is carried on only for profit. Business persons themselves proclaim that their primary objective is to produce or distribute goods or services for profit.

However, it is widely accepted that business enterprises are part of society and need to have several objectives, including social responsibility to survive and prosper in the long run. Profit is found to be the leading objective but not the only one. Although earning profit cannot be the only objective of business, its importance cannot be ignored. Profit may be regarded as an essential objective of business for various reasons:

Too much emphasis on profit to the exclusion of other objectives can be dangerous for good business. Obsessed with profit, business managers may neglect all other responsibilities towards customers, employees, investors and society at large. They may even be inclined to exploit various sections of society to earn immediate profit.

**Earning profits**

One of the objectives of business is to earn profits on the capital employed. Profitability refers to profit in relation to capital investment. Every business must earn a reasonable profit which is very important for its survival and growth.

**Productivity**

If an enterprise is efficient in delivering goods and services, it is said to be good in productivity. Productivity is calculated by comparing the value of outputs with the value of inputs. In order to
సాఫ్ట్వేర్ లాండ్లో సంపాదనలు చేసే ప్రత్యేకిత రీతించిన ముద్రాలలో అవసరమయని ప్రత్యేకితాలను మీడియా మాకు సహాయం చేయడానికి వినియోగించారు. సాఫ్ట్వేర్ లాండ్లో యంత్రాల మధ్య వినియోగం చేసే ప్రత్యేకితాలను మీడియా మాకు సహాయం చేసే ప్రత్యేకితాలను మీడియా మాకు సహాయం చేయడానికి వినియోగించారు. 

1.2. అనుభూతి

Fig. 1.1

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ensure continuous survival and progress, every enterprise must aim at greater productivity by the best use of available resources.

**Market standing**
Market standing refers to the position of an enterprise in relation to its competitors. Business enterprise must aim at standing on stronger footing in terms of offering competitive products to its customers and serving them to their satisfaction.

**Innovation**
Innovation is the introduction of new ideas or methods in the way something is done or made. There are two kinds of innovation in every business (i) innovation in product or service; and (ii) innovation in the various skills and activities needed to supply them. No business enterprise can flourish in a competitive world without innovation. Therefore, innovation becomes an important objective.

**Physical and financial resources**
Every business requires physical resources like plants, machines, offices, etc., and financial resources, i.e., funds to be able to produce and supply goods and services to its customers. The Business enterprise must aim at acquiring these resources according to their requirements and use them efficiently.

**Manager performance and development**
Business enterprises need managers to conduct and coordinate business activity. Various programmes for motivating managers need to be implemented. Manager performance and development therefore, is an important objective. The enterprises must actively work for this purpose.

**Worker performance and attitude**
Worker’s performance and attitudes determine their contribution towards productivity and profitability of any enterprise. Management attitude towards workers in the enterprise determine the workers attitude. Therefore, every enterprise must aim at improving its workers performance. It should also try to ensure a positive attitude on the part of workers.

**Social responsibility**
Social responsibility refers to the responsibility and obligation of business firms to contribute for solving social problems and work for society surrounded to it in a socially desirable manner. Thus, a business enterprise must have multiple objectives to satisfy different individuals and groups, for its own survival and prosperity.
1.2.1 Business Environment

Environment has been defined by Bayard O. Wheeler as “the total of all things external to firms and industries which affect their organization and operation”.

Keith and Davis defines “Business environment is the aggregate of all conditions events and influences that surround and affect it.”

As per the definition of S.P. Robbins and Mary Colters “Business environment refers to institution or forces that effect the organizations performance”.

1.2.2. Business Environment

Environment is defined as “the total of all things external to firms and industries which affect their organization and operation”.

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1.2.3. Business Environment - Definition

Business Environment has been defined by Bayard O. Wheeler as “the total of all things external to firms and industries which affect their organization and operation”.

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As per the definition of S.P. Robbins and Mary Colters “Business environment refers to institution or forces that effect the organizations performance”.
1.2. BUSINESS ENVIRONMENT

1.2.1. ENVIRONMENT

The word Environment is derived from the French word “Environ” which means “surrounding”. Our surrounding includes biotic factors like human beings, plants, animals, microbes etc and abiotic factors such as light, air, water, soil etc.

The environment may comprise a combination of natural, social and cultural conditions which impact the life of a person or community through broad application to the surroundings. This means that environmental issues such as pollution, crime and noise should be considered. Environment is the sum of conditions in which an organism has to survive or maintain its life process. It influences the growth and development of living organism.

In other words, environment refers to those factors that surrounds living beings from all sides and affect their lives. It consists of atmosphere, hydrosphere, lithosphere and biosphere. It’s chief components are soil, water, air, organisms and solar energy. It has provided us all the resources for leading a comfortable life.

1.2.2. BUSINESS ENVIRONMENT

The environment of any organization is the aggregate of all conditions, events and influences that surround and affect it. Business environment encompasses the ‘climate’ or set of conditions which include economic, social, political or institutional in which business operations are conducted. It consists of several factors that affect the functioning, growth, profitability of the business. Factors that constitute a business environment are customers, suppliers, competitors, investors, technology, economic conditions, government etc. All these factors affect the success or failure of any business and bring several opportunities, threats, and challenges to it.

According to Barry M. Richman and Melvyn Copen “Environment consists of factors that are largely if not totally, external and beyond the control of individual industrial enterprise and their managements. These are essentially the ‘givens’ within which firms and their management must operate in a specific country and they vary, often greatly, from country to country”.

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

From the above definitions we can extract that business environment consists of factors that are internal and external which affect or influence the business. Proper understanding of the business environment helps in framing better strategies as per business opportunities and enhances the overall performance.
అమలు మొదటి నిపుణ్యం మనం యోగ్యమైంది:
అమలు మొదటి నిపుణ్యం మనం యోగ్యమైంది మనుష్య నిపుణ్యం అంటే మనం యోగ్యమైంది. అమలు ఎంతా అంటే నిరాకరించి మనం యోగ్యమైంది. ఆ విధానం ఎంతా సమా౦ం మనం యోగ్యమైంది అంటే మనం యోగ్యమైంది.

ఇతర సమాచార మొదటి నిపుణ్యం:
అమలు ముఖ్యంగా ఇద్దరు నిపుణ్యం మనం యోగ్యమైంది. 1. అమలు యోగ్యం అంటే అమలు ఎంచుగా అంటే మనం యోగ్యమైంది.
2. అమలు అంటే అమలు యోగ్యం అంటే మనం యోగ్యమైంది.

అమలు మొదటి నిపుణ్యం:
అమలు మొదటి నిపుణ్యం అంటే అమలు యోగ్యం అంటే మనం యోగ్యమైంది.

అమలు మొదటి నిపుణ్యం:
అమలు మొదటి నిపుణ్యం అంటే అమలు యోగ్యం అంటే మనం యోగ్యమైంది.

Fig: 1.2
1.2.3. CHARACTERISTICS OF BUSINESS ENVIRONMENT

Totality of External Forces
Business environment is the mix of all those factors/forces which are available outside the business and over which the business has no control. It is the group of many such forces that influence the business.

Specific and General Forces
The forces present outside the business can be divided into two parts

• **Specific:**
  These forces affect the firms of an industry separately, e.g., customers, suppliers, competitive firms, investors and the like.

• **General**
  These forces affect all the firms of an industry equally, e.g., social, political, legal and technical situations.

Interrelatedness
The different factors of business environment are co-related. The effect of one factor may influence many other factors. For example, let us suppose that there is a change in the import-export policy with the coming of a new government.

In this case, the coming of new government to power and change in the import-export policy are political and economic changes respectively. Thus, a change in one factor affects the other factor.

• **Dynamic Nature**
  As it is clear that environment is a mixture of many factors and changes in some or the other factors continue to take place. Therefore, it is said that business environment is dynamic.

• **Uncertainty**
  Nothing can be said with any amount of certainty about the factors of the business environment because they continue to change quickly. The professional people who determine the business strategy take into consideration the likely changes beforehand.

But this is a risky job. For example, technical changes are very rapid. Nobody can anticipate the possibility of these swift technical changes. Anything can happen, anytime. The same is the situation of fashion.

• **Complexity**
  Environment comprises of many factors. All these factors are related to each other. Therefore, their individual effect on the business cannot be recognised. This is perhaps the reason which makes it difficult for the business to face them.
1.2.4. రాయిన భాషల్లో మోడు - క్రమానుసారం

పెంచడం మొత్తం పదాలు కూడా చేసే మొత్తం పదాలను సంఖ్య అంచనాయి సంఖ్యలు సంఖ్య గతానుసారం

అదనం మొత్తం పదాలను పెంచడం మొత్తం పదాలను వినియోగించడం. అదనం మొత్తం పదాలను పెంచడం మొత్తం పదాలు పెంచడం. అదనం మొత్తం పదాలను పెంచడం మొత్తం పదాలు పెంచడం.

యుద్ధం పెంచడం మొత్తం పదాలను పెంచడం. అదనం మొత్తం పదాలను పెంచడం మొత్తం పదాలను పెంచడం. అదనం మొత్తం పదాలను పెంచడం మొత్తం పదాలు పెంచడం.
• Relativity
Business environment is related to the local conditions and this is the reason as to why the business environment happens to be different in different countries and different even in the same country at different places.

1.2.4. IMPORTANCE AND SCOPE OF BUSINESS ENVIRONMENT

Proper understanding of the business environment helps in framing better strategies as per business opportunities and enhances the overall performance. Scope of Business Environment is explained in points as given below:

**Identifies Business Opportunities and Threats**
Business environment helps business in identifying various opportunities and threats. When a business is able to detect market opportunities in time, it can easily take advantage of such opportunity at earliest. It can earn maximum returns by availing such opportunity before the competitors. By proper interaction between business and its environment all threats can be easily detected. It will enable business in taking corrective measures in time.

**Helps in Planning and Policy Formulation**
Proper understanding of business environment helps in formulating better policies and strategies. It conveys all current information regarding market conditions to business. All opportunities and threats are scanned through the study of the business environment. Businessmen are properly aware of environment and thereby take all decisions according to it. Their entire plan can be changed effectively and efficiently through environmental awareness.

**Provides Useful Resources**
Businesses depend on the environment in which they operate for several resources. Business environment supplies several inputs like raw materials, capital and labour which are used by the business for its operations. These inputs are converted into goods and services for satisfying the needs of the market. Without proper supply of inputs, business cannot continue its operations. It is fully dependent upon environment for taking inputs and delivering the required goods or services.

**Improves Performance**
Business environment has an effective role in accelerating the overall performance of business organizations. Through continuous environmental awareness, managers update their knowledge and skills. Environmental study serves as the medium of educating management. Monitoring of environment provides qualitative information which helps in developing strategic thinking. It enables managers to adopt suitable management practices to control and improve the performance of businesses.

**Helps in Coping with Rapid Changes**
Factors which constitute business environment are dynamic in nature. They keep changing continuously from time to time. These changes include changes in customer’s preferences, fashion, technology, economic conditions etc.
KEY TERMS

1. Business: Business is a Continuous activity involved making and selling products or services with profit motto.

2. Business enterprise: Business enterprise refers to a person or organisation spotting a business opportunity and setting up a business.

3. Profit: Financial gain, especially the difference between the amount earned and the amount spent in buying, operating, or producing something.

4. Insurance: An arrangement/agreement by which a company undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.

5. Capital investment: A capital investment is defined as a sum of cash acquired by a company to pursue its objectives, such as continuing or growing operations. It also can refer to a company’s acquisition of permanent fixed assets such as property, plant and equipment.

6. Economic activity: An economic activity is a process that, based on inputs, leads to the manufacture of a good or the provision of a service.

7. Strategies: a plan of action designed to achieve a long-term or overall aim.
Proper understanding of the business environment helps business in detecting all these frequently occurring changes easily. It enables them in dealing with these changes efficiently by taking appropriate actions at right time. Managers through continuous monitoring of environment are sensitive to such changes and respond accordingly.

Enhances Business Image
Business through proper understanding of its environment are able to improve its public image. They are more responsive and sensitive to the environmental needs through proper knowledge of business environment. Study of environment provides them information for making realistic plans and implementing them effectively. Businesses are able to provide better service and serve the interest of entire society. People are happy with the business and develop confidence towards it. This enables in developing a better image in market.

Assists in Facing Competition
Business environment communicates all details about competitors in market to business. Awareness regarding the actions and strategies of competitors is crucial for every business for meeting competition effectively. It helps business in formulating plans and policies in accordance with the competitor’s actions. Businesses are able to face challenges and competition in market through systematic planning in an efficient way.

KEY TERMS

8. **Environment**: Environment means anything that surround us. It can be living or non-living things. It includes physical, chemical and other natural forces.

9. **Biotic**: The biotic factors of an ecosystem are all the living organisms that affect other organisms in an ecosystem and include animals, plants, microorganisms, dead organisms, and even animal waste.

10. **Abiotic**: Abiotic environment includes all the nonliving factors and processes in an ecosystem. Sunlight, soil (with its parameters-like acidity), water, wind, humidity, for example, are all important abiotic factors that interact with each other and affect living organisms.

11. **Financial Resources**: Financial resources is a term covering all financial funds of the organization. It is the set of liquid assets of an organization, including cash, bank deposits and liquid financial investments.

12. **Business Environment**: It is the sum total of all the factors that can influence a business.
1. Which of the following is not an economic activity?
   A) A doctor practicing
   B) A lawyer practicing law
   C) A professional cricketer playing cricket
   D) A student playing cricket

2. Which of the following is not a characteristic of a business?
   A) Production of goods and services
   B) Sale or exchange of goods and services
   C) Profit earning
   D) Certainty of return

3. Which of the following is an objective of a business?
   A) Innovation
   B) Worker performance and attitude
   C) Social responsibility
   D) All the above

4. The main objective of business in society is ______________.
   A) Economic and social objective.
   B) Cultural objective.
   C) Technological objective.
   D) No objective.

5. A housewife preparing a meal for her kids is not considered a business activity because
   A) Doesn’t involve production of anything new
   B) Doesn’t involve profit motto
   C) Doesn’t fulfil human wants
   D) All the above

6. The term business environment refers to …….factors which impact functioning of a firm
   A) External factors
   B) Internal factors
   C) Management related factors
   D) Internal and External factors

7. Which of the following is not a feature of Business Environment
   A) Interrelated elements
B) Dynamic nature  
C) Complexity  
D) Continuity  

8. Which of the following is not a General force on a business  
   A) Political situation  
   B) Social situation  
   C) Competitive firms  
   D) Legal situation  

9. Factors which are beyond the control of a business are called…..  
   A) Supply  
   B) Demand  
   C) Profit  
   D) External factors  

10. Which of the following is the useful outcome of the study of business  
    A) Identifies Business Opportunities and Threats  
    B) Helps in Planning and Policy Formulation  
    C) Helps in Coping with Rapid Changes  
    D) All the above  

**ANSWERS**

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**INERACTIVE LINKS**

http://ssbnc.in/files/bcommaterial/BE.pdf  
https://egyankosh.ac.in/bitstream/123456789/13821/1/Unit-1.pdf  

**FOR ADVANCED LEARNERS…**

♦ Prepare a list of all the Occupations in your locality and Identify Business among them.  
♦ Select any Five Local Businesses and List out the factors which influence them.
Dimensions of Business Environment and Environmental Analysis

Learning Outcomes:

After reading this chapter, the student should be able to:
1. understand the dimensions of Business Environment
2. define Internal and External Environment and their components
3. examine the relations between environment and business
5. differentiate the Micro and Macro dimensions of Business Environment
6. judge the better environment for Business
7. suggest suitable Environmental Analysis techniques for a business.

Chapter Layout:

2.1. Dimensions of Business Environment
   2.1.1. Internal Environment
   2.1.2. External Environment
      2.1.2.1. Macro Environment
      2.1.2.2. Micro Environment
   2.1.3. Environment and Business Relations

2.2. Environmental Analysis
   2.2.1. Objectives of Environmental Analysis
   2.2.2. Environmental Scanning
   2.2.3. Environmental Forecasting
   2.2.4. SWOT Analysis
   2.2.5. PESTEL Analysis
అంచులు తోడపడుతుంది

అంశాలలో పటించబడే రెండవ కారణం అంశాలను మంచి కామలు రాయకుండా, అంశాలను మనం కలిగి ఉండవచ్చు, అంశాలను అత్యంత నిర్మితం చేసి పెట్టుకుండా, అంశాలలో అతి ఆవిరిచే అనేక శాస్త్రవేత్తలకు భాగస్వామ్యం తెలియాలి. ప్రతి అంశాన్ని అంశాలలో పటించబడే రెండవ కారణం అంశాలను మంచి కామలు రాయకుండా, అంశాలను మనం కలిగి ఉండవచ్చు, అంశాలను అత్యంత నిర్మితం చేసి పెట్టుకుండా, అంశాలలో అతి ఆవిరిచే అనేక శాస్త్రవేత్తలకు భాగస్వామ్యం తెలియాలి. ప్రతి అంశాన్ని అంశాలలో పటించబడే రెండవ కారణం అంశాలను మంచి కామలు రాయకుండా, అంశాలను మనం కలిగి ఉండవచ్చు, అంశాలను అత్యంత నిర్మితం చేసి పెట్టుకుండా, అంశాలలో అతి ఆవిరిచే అనేక శాస్త్రవేత్తలకు భాగస్వామ్యం తెలియాలి. ప్రతి అంశాన్ని అంశాలలో పటించబడే రెండవ కారణం అంశాలను మంచి కామలు రాయకుండా, అంశాలను మనం కలిగి ఉండవచ్చు, అంశాలను అత్యంత నిర్మితం చేసి పెట్టుకుండా, అంశాలలో అతి ఆవిరిచే అనేక శాస్త్రవేత్తలకు భాగస్వామ్యం తెలియాలి. SWOT మంచి పెట్టకుండా PESTLE పటించే రెండవ కారణం అంశాలను మంచి కామలు రాయకుండా, అంశాలను మనం కలిగి ఉండవచ్చు, అంశాలను అత్యంత నిర్మితం చేసి పెట్టుకుండా, అంశాలలో అతి ఆవిరిచే అనేక శాస్త్రవేత్తలకు భాగస్వామ్యం తెలియాలి.
CHAPTER OVERVIEW

All the factors that can influence businesses are classified based on their features such as their specificity towards a business, their level of impact on a business and to what level a business can manage them, their connection with the businesses and their point of presence with respect to a business. The present chapter tries to bring out various factors that can influence businesses and classify them among different dimensions of business environment.

Being aware of what issues can affect businesses and how they can affect a business is very important in making decisions. A study focused on how to identify these issues or factors is called as environmental analysis. One must also have an idea of what changes might take place in business environment in future to keep oneself prepared and make decisions. This is called as environmental forecasting. Environmental scanning refers to process by which one keeps an eye on business environment. Present chapter throws a light on objectives of environmental analysis, define environmental forecasting and bring out different methods of environmental scanning like SWOT analysis and PESTLE analysis.
2.1.సంస్థ మాట్లభ శక్తి

సంస్థ మాట్లభ సాధనాలను ప్రత్యేకంగా రాకంటే సంస్థ ప్రధానం మరియు మాట్లభ ఉపయోగాన్ని అభివృద్ధి చేసాలి. ఇది సంస్థవున్న మాట్లభానికి అనుమతి అందిస్తుంది. సంస్థ నియంత్రించడానికి వాస్తికంగా సంస్థ మాట్లభ ప్రామాణికంగా తృగుపోతుంది. ఇది మాట్లభానికి 1. సమాధానానికి 2. సంచానికి శక్తి అవసరం.

సంస్థ మాట్లభ సాధనాల ప్రామాణికంగా మాట్లభానికి అనుమతి అందిస్తుంది. సంస్థ నియంత్రించడానికి పిత్తనెలుతుంది. సంస్థ మాట్లభానికి అనుమతి సంచానికి మాట్లభానికి అనుమతి కాస్తుంది.

2.1.1. మాట్లభ

సంస్థ మాట్లభ సాధనాల ప్రామాణికంగా మాట్లభానికి అనుమతి అందిస్తుంది. సంస్థ నియంత్రించడానికి పిత్తనెలుతుంది.

మాట్లభ సాధనాల

సంస్థ మాట్లభ సాధనాల ప్రామాణికంగా మాట్లభానికి అనుమతి అందిస్తుంది. సంస్థ నియంత్రించడానికి పిత్తనెలుతుంది. సంస్థ మాట్లభానికి అనుమతి సంచానికి మాట్లభానికి అనుమతి కాస్తుంది.

సంస్థ మాట్లభ సాధనాల ప్రామాణికంగా మాట్లభానికి అనుమతి అందిస్తుంది. సంస్థ నియంత్రించడానికి పిత్తనెలుతుంది.
2.1. DIMENSIONS OF BUSINESS ENVIRONMENT

The dimension of the business environment refers to the factors and forces which constitute direct or indirect influence over business activities. On the basis of the extent of relation with the organization, the environmental factors are classified into different types or levels. There are broadly two types, the internal environment and external environment.

The internal factors are generally regarded as controllable factors because the company has control over these factors, these factors can be easily managed. The external factors are beyond the control of a company. The external environmental factors such as the economic factors, socio-cultural factors, government and legal factors, demographic factors and geo-physical factors are regarded as uncontrollable factors.

Some of the external factors have a direct and close impact on the firm. These factors are classified as micro environment. There are other external factors which affect an industry very generally. They are called macro environment, general environment or remote environment.

2.1.1. INTERNAL ENVIRONMENT

The important internal factors which have a bearing on the strategy and other decisions are called internal environment of the business. They include a value system, Vision, Mission and Objectives, Management Structure and Nature, Internal Power Relationship, Human Resources and Company Image and Brand Equity.

Value System
The value system of the founders and those at the helm of affairs has important bearing on the choice of business, the mission and objectives of the organization, business policies and practices. It is a widely acknowledged fact that the extent to which the value system is shared by all in the organization is an important factor contributing to success. The value system and ethical standards are also among the factors evaluated by many companies in the selection of suppliers, distributors and collaborators.

For example the value system of JRD Tata and the acceptance of it by others who matter were responsible for the voluntary incorporation in the Articles of Association of TISCO, its social and moral responsibilities to consumers, employees, shareholders, society and the people.

After the EID Parry group was taken over by the Murugappa group, one of the most profitable businesses (liquor) of the ailing Parry group was sold off as the liquor business did not fit into the value system of the Murugappa group.

Vision, Mission and Objectives
The business domain of the company, priorities, direction of development, business philosophy, business policy etc., are guided by the vision mission and objectives of the company.
for example, Ranbaxy’s thrust into the foreign markets and development has been driven by its mission “to become a research based international pharmaceutical company.

Management Structure and Nature
The organizational structure, the composition of the Board of Directors, extent of professionalisation of management etc., are important factors influencing business decisions. Some management structures and styles delay decision making while some others facilitate quick decision making.

The share-holding pattern can have important managerial implications. There are very large companies where majority of the share is held by the promoters like Wipro and there are large firms where the promoters’ position is very vulnerable like the Tata group of companies. Financial institutions have large share holding in many Indian companies. The stand of nominees of financial institutions can be very decisive in several critical instances.

Internal Power Relationship
Factors like the amount of support the top management enjoys from different levels of employees, shareholders and Board of Directors have important influence on the decisions and their implementation. The relationship between the members of Board of Directors and between the chief executive and the Board are also critical factors.

Human Resources
The characteristics of the human resources like skill, quality, morale, commitment, attitude etc., could contribute to the strength and weakness, of an organization. Some organizations find it difficult to carry out restructuring or modernization because of resistance by employees whereas they are smoothly done in some others. The involvement, initiative etc., of people at different levels may vary from organization to organization. The organizational culture and overall environment have bearing on them.

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. Brand equity is also relevant in several of these cases.

Miscellaneous Factors
There are a number of other internal factors which contribute to the business success or influence the decision-making. They include the following.

- Physical assets and facilities like the production capacity, technology and efficiency of the productive apparatus, distribution logistics etc., are among the factors which influence the competitiveness of a firm.

- R & D and Technological Capabilities, among other things, determine a company’s ability to innovate and compete.
2.1.2. సాంప్రదాయం సంబంధం

మార్కెటింగు ప్రక్రియల కోసం మంది చేతిలో ప్రత్యేక పాటు ఉండటం పంపబడింది. మార్కెటింగు సాంప్రదాయం మూలం నిర్ధారించడానికి ప్రత్యేక పంపబడింది. ఇప్పుడు మార్కెటింగు సాంప్రదాయం మూలం నిర్ధారించడానికి ప్రత్యేక పంపబడింది. మార్కెటింగు సాంప్రదాయం మూలం నిర్ధారించడానికి ప్రత్యేక పంపబడింది. 

2.1.2.1. మార్కెటింగు సాంప్రదాయం

మార్కెటింగు సాంప్రదాయం మూలం నిర్ధారించడానికి ప్రత్యేక పంపబడింది. మార్కెటింగు సాంప్రదాయం మూలం నిర్ధారించడానికి ప్రత్యేక పంపబడింది. 

Fig.2.2

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- Marketing Resources like the organization for marketing, quality of the marketing men, brand equity and distribution network have direct bearing on marketing efficiency. They are also important for brand extension, new product introduction etc.

- Financial factors like financial policies, financial position and capital structure are also important internal environment affecting business performances, strategies and decisions.

2.1.2. EXTERNAL ENVIRONMENT

The term business environment, generally, refers to external environment and includes factors which are outside the control of the enterprise. Some of the external factors have a direct and intimate impact on the business enterprise. These factors are classified into micro environment and macro environment.

2.1.2.1. MICRO ENVIRONMENT

“The micro environment consists of the factors in the company’s immediate environment that affects the performance of the company. These include the suppliers, marketing intermediaries, competitors, customers and the public”

It is quite obvious that the micro environmental factors are more intimately linked with the company. The micro forces need not necessarily affect all the firms in a particular industry in the same way. Some of the micro factors may be particular to a firm.

**Suppliers**

An important force, in the micro environment of a company is the suppliers. The suppliers are those who supply the inputs like raw materials and components to the company. The importance of reliable sources of supply to the smooth functioning of the business is obvious. Uncertainty regarding the supply or other supply constraints often compels companies to maintain high inventories causing cost increases.

It had been pointed out that factories in India maintained indigenous stocks of 3-4 months and imported stocks of 9 months as against an average of a few hours to two weeks in Japan. The liberalization, however, has caused a significant change in the situation.

Because of the sensitivity of the supply, many companies give high importance to Vendor development. Vertical integration where feasible, helps to solve the supply problem.

**Customers**

The major task of a business is to create and sustain customers. A business exists only because, of its customers. Monitoring the customer sensitivity is, therefore, a prerequisite for the business’ success. A company may have different categories of consumers like individuals, households, industries and other commercial establishments, government and other institutions.
ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು

1. ಮುಖಾಂಶದ ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು. ಮುಖಾಂಶದ ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು. ಮುಖಾಂಶದ ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು. ಮುಖಾಂಶದ ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು ಮ್ಯಾಂಸೆನ್ಸ್‌ಮೆನು.
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 or due to the customer’s switching over to the competitors of the company.

With the growing globalization, the customer environment is increasingly becoming global. Not only that the markets of other countries are becoming more open, the Indian market is becoming more exposed to the global competition and the Indian customer is becoming more “global” in his shopping.

**Competitors**

A firm’s competitors include not only the other firms which market the same or similar products but also all those who compete for the discretionary income of the consumers. For example, the competition for a company’s televisions may come not only from other television companies. If the consumer decides to spend his discretionary income on recreation, he will still be confronted with a number of alternatives to choose from like T.V., stereo, two-in-one, three-in-one etc. The competition among such alternatives which satisfy a particular category of desire is called generic competition.

**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 include middlemen such as agents and merchants who “help the company find customers or close sales with them”, physical distribution firms which “assist the company in stocking and moving goods from their origin to their destination such as warehouses and transportation firms; marketing service agencies which “assist the company in targeting and promoting its products to the right markets such as advertising agencies, marketing research firms, media firms and consulting firms; and financial intermediaries which finance marketing activities and insure business risks.

Marketing intermediaries are vital links between the company and the final consumers. A dislocation or disturbance of the link, or a wrong choice of the link, may cost the company very heavily. Hindustan Lever faced major challenge when there is a collective boycott in Kerala on the issue of trade margin.

**Financiers**

Another important micro environmental factor is the financiers of the company. Besides the financing capabilities, their policies and strategies, attitudes could not be implemented without a good financing institution to the firm. Hence the financiers are also an important micro environment to the firm.

**Public**

A company may encounter certain public in its environment. Public is any group that has an actual or potential interest in or impact on an organization’s ability to achieve its interests. Media, voluntary organizations, and local citizens are some examples.
2.1.2.2. మహాంతం

మహాంతం యొక్క విషయం నిపుణులు ఉండండి ప్రత్యేకంగా నిలిచా మహాంతం సమాధి. మహాంతం యొక్క విషయం లేదు మహాంతం సమాధి కంటే మహాంతం ప్రత్యేకంగా నిలిచా మహాంతం సమాధి. మహాంతం యొక్క విషయం లేదు మహాంతం సమాధి కంటే మహాంతం ప్రత్యేకంగా నిలిచా మహాంతం సమాధి.

Fig.2.4

మహాంతం యొక్క విషయం లేదు మహాంతం సమాధి కంటే మహాంతం ప్రత్యేకంగా నిలిచా మహాంతం సమాధి. మహాంతం యొక్క విషయం లేదు మహాంతం సమాధి కంటే మహాంతం ప్రత్యేకంగా నిలిచా మహాంతం సమాధి

మహాంతం యొక్క విషయం లేదు మహాంతం సమాధి కంటే మహాంతం ప్రత్యేకంగా నిలిచా మహాంతం సమాధి.
2.1.2.2. MACRO ENVIRONMENT

The macro forces are, generally, more uncontrollable than the micro forces. When the macro environment is uncontrollable, the success of a company depends on its adaptability to the environment. These Macro Environment factors cannot be managed easily. Organizations should act according to these environmental factors or they simply follow them. Important macro environment factors include economic environment, political and regulatory environment, social/cultural environment, demographic environment, technological environment, natural environment, and global environment.

Economic Environment
There is close relationship between business and its economic environment. Business obtains all its needed inputs from the economic environment and it absorbs the output of business units. The important components in economic environment are as outlined below:

- **Interest Rate** - For example, interest rates of fixed-income instruments prevalent in an economic environment impacts the interest rate it will offer on its debentures.

- **Inflation Rate** - A rise in inflation rate leads to price hike; hence, it poses limitations to businesses.

- **Customer’s Income** - If the income of customers increases, the demand for goods and services will rise too.

- **Economic Policies** – Policies like corporate tax rate, export duty and import duty influence a business.

Political and Legal Environment
It consists of forces like the Government’s attitudes towards businesses, ease-of-doing-business policies, the stability of the Governing body and peace within the country. All of these factors are extremely crucial for a company to sustain. If the central, as well as local government sanctions, policies or acts in favour of businesses, the overall economy of the nation strengthens due to increasing employment, productivity and import and export of various products.

- Example - A pro-business government will make foreign investments more attractive in that country.

Technological Environment
Technology is understood as the systematic application of scientific or other organized knowledge to practical tasks. Technology changes fast and to keep pace with it, businessmen should be ever alert to adopt changed technology in their businesses.

Example: A Watch Company that sells smart-watches along with traditional watches will prosper as smart-watches are in trend recently.
2.1.3. கொளியின் பய்க்கல்

அதிகம் விளக்கியல் என்பது எது என்பது பெரும்பாலும் விளக்கியல் வெளிப்பாட்டுகள் கருதப்படுகின்றது. அதன் நூற்றுக்கணத்தில் மேற்குறிக்கல் பெரும்பாலும் விளக்கியல் வெளிப்பாட்டுகள் கருதப்படுகின்றது. பின்னர் அதன் அடிப்படையில் விளக்கியல் வெளிப்பாட்டுகள் கருதப்படுகின்றது.
**Natural Environment**
Business, an economic pursuit of man, continues to be dictated by nature. Business depends on nature and what is the relationship between the two constitutes an interesting study. If the organizations forget the natural environment, they cannot sustain forever.

**Global or international Environment**
The changing dimension of the business environment gives birth to an advanced international environment for companies in a country. It denotes a periphery in which international companies run their business transactions across national borders. From liberalization, Indian companies are forces to view business issues from a global perspective. Business responses and managerial practices must be fine-tuned to survive in the global environment.

**Social and cultural Environment**
It refers to people’s attitude to work and wealth; role of family, marriage, religion and education; ethical issues and social responsiveness of business.

- **Tradition**: In India, festivals like Diwali, Christmas, Holi, etc. make provision for a financial opportunity for several market segments like sweet manufacturers, gifting products suppliers, etc.

- **Value**: A company which follows long-held values like social justice, freedom, equal opportunities, gender equality, etc., excels in that given society.

- **Recurrent Trends**: It refers to development or general changes in a society like consumption habits, fitness awareness, and literacy rate, etc. which influence a business. For example, the demand for organic vegetables and gluten-free food is increasing. Therefore, companies which manufacture food items keeping this in mind attract more crowds.

**2.1.3. ENVIRONMENT – BUSINESS RELATIONS**
Business is the product of the technological, political-legal, economic, social – cultural, global and natural factors amidst which it functions. Three features are common to this web of relationship between business and its environment.

There is symbolic relationship between business and its environment and among the environmental factors. In other words, business is influenced by its environment and in turn, to certain degree, it will influence the external forces. Similarly, political-legal environment influences economic environment and vice-versa. The same relationship exists between other environmental factors too. These environmental forces are dynamic. Particular business firm, by itself, may not be in a position to change its environment. But along with other firms, business will be in a position to mould the environment in its favor.
2.2.1. Introduction to the Problem

- Causes of the problem
- Prevention of the problem
- Impact of the problem
- Solution to the problem
2.2. ENVIRONMENTAL ANALYSIS

Environmental analysis is the study of the organizational environment to pinpoint environmental variables or factors that can significantly influence the organizational operations. Environmental analysis is the assessment of opportunities and threats in the external environment of business. Relatively qualitative and involves the identification of the business needs and determines solutions to the business problems created by the components of business environment. It is related with the performance characteristics of the functional areas of the firm.

According to William F. Glueck, Environmental Analysis is “The process by which strategists monitor the economic, legal, competitive, geographic, technical and social setting to determine opportunities and threats to their firms.”

As per Philip Kotler: “Environmental analysis is the process of assessing the emerging trends”.

2.2.1. OBJECTIVES OF ENVIRONMENTAL ANALYSIS

- The analysis should provide an understanding of current and potential changes taking place in an environment. One must be aware of existing environment and also have a long term perspective.

- The analysis of environment should provide inputs for strategic decision making.

- The environmental analysis should provide a rich source of ideas and understanding of the context within which a firm operates. It should bring fresh viewpoints into the organization.

- The analysis should help the management in forecasting the impact of socio-economic changes at the national and international level.

- The study should help the business to keep itself dynamic and innovative.

- Techniques for Environmental analysis refer to the methods of gathering the relevant information for appraising the environment. There are different methods for analyzing the business environment.

PROCESS OF ENVIRONMENTAL ANALYSIS

- **Identifying**: First of all, the factors which influence the business entity are to be identified, to improve its position in the market. The identification is performed at various levels, i.e. company level, market level, national level and global level.

- **Scanning**: Scanning implies the process of critically examining the factors that highly influence the business, as all the factors identified in the previous step do not affect the entity with the same intensity. Once the important factors are identified, strategies can be made for its improvement.

- **Analyzing**: In this step, a careful analysis of all the environmental factors is made to determine their effect on different business levels and on the business as a whole. Different tools available for the
వివిధ విధానాల యొక్క ప్రవాహం
తొలికి ప్రస్థానం కొత్తాడు
ముఖంగితంగా కొత్తాడు

పాఠం ప్రారంభం
 rtc పరిషత్తు కనుకంలో అంతికి నిర్ధారించిన రేటటాన్ని వివరించింది. రగిస్తుంది కనుకంలో ముఖంగితంగా ప్రస్థానం కొత్తాడు
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tొలికి ప్రస్థానం కొత్తాడు

2.2.3. ప్రవాహం సంస్థ విస్తృతి

పాఠం ప్రారంభం
 rtc పరిషత్తు కనుకంలో అంతికి నిర్ధారించిన రేటటాన్ని వివరించింది. రగిస్తుంది కనుకంలో ముఖంగితంగా ప్రస్థానం కొత్తాడు
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మార్గం ప్రారంభం
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tొలికి ప్రస్థానం కొత్తాడు

పాఠం ప్రారంభం
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analysis include benchmarking, Delphi technique and scenario building.

- **Forecasting**: After identification, examination and analysis, lastly the impact of the variables is to be forecasted.

### 2.2.2. ENVIRONMENTAL SCANNING

The environment of a business is extremely dynamic in nature and it is constantly changing. The future is uncertain. Hence, the organization must keep a close watch on its environment using environmental scanning. Environmental analysis recognize Strengths, Weaknesses, Opportunities and Threats of an organization. The organization can take necessary steps according to this analysis and plan for the future improvements. The firm must strive to build on or maximize its advantage by making improvements in its immediate plans, strategies, and resources. There are three approaches, which could be adopted for, sorting out information for environmental scanning.

**Approaches to Environmental Scanning**

- **Systematic Approach**
  Under this approach, information for environmental scanning is collected systematically. Information is collected continuously and the same is updated in regular intervals. This information related to markets and customers, changes in legislation and regulations. This information has direct impact on an organization’s activities. This information is necessary not only for strategic management but also for operational activities.

- **Ad hoc Approach**
  Using this approach, an organization may conduct special surveys and studies to deal with specific environmental issues from time to time. Such studies may be conducted, for instance, when organization has to undertake special projects, evaluate existing strategy or devise new strategies. Changes and unforeseen developments may be investigated with regard to their impact on the organization.

- **Processed form of Approach**
  For adopting this approach, the organization uses information in a processed form available from different sources both inside and outside the organization. When an organization uses information supplied by government agencies or private institutions, it uses secondary sources of data and the information is available in processed form.

### 2.2.3. ENVIRONMENTAL FORECASTING

Strategic decision-making requires a future orientation. Naturally, forecasting is an essential element in environmental analysis. Forecasting is concerned with developing plausible projections of the direction, scope, and intensity of environmental change.
2.2.4. SWOT Analysis

SWOT analysis is a valuable tool for evaluating the strengths, weaknesses, opportunities, and threats of a business. It helps in making informed decisions by understanding the internal and external factors affecting the organization.

**Strengths**

- Identification and utilization of internal resources
- Effective management of internal processes
- Efficient use of technology and IT infrastructure
- Strong brand recognition and customer loyalty

**Weaknesses**

- Lack of financial resources
-insufficient infrastructure
- Inadequate training and development programs
- Poor quality control mechanisms

**Opportunities**

- Expansion into new markets
- Diversification of product lines
- Collaboration with international partners
- Utilization of emerging technologies

**Threats**

- Regulatory changes and restrictions
- Economic downturns and market volatility
- Intense competition from established players
- Loss of key employees or technical expertise

**Recommendations**

- Strengthen internal processes and systems
- Invest in research and development
- Enhance marketing and sales strategies
- Strengthen risk management practices

**Implementation**

- Development of a comprehensive action plan
- Allocation of resources based on priorities
- Regular monitoring and evaluation
- Continuous improvement and adaptation

**Conclusion**

SWOT analysis is a dynamic process, and it is essential to review and update the analysis periodically to ensure that the organization remains competitive and responsive to changing market conditions.
Environmental forecasting is a technique whereby managers attempt to predict the future characteristics of the organizational environment and hence make decisions today that will help the firm deal with the environment of tomorrow.

Types of Environmental Forecasting

- **Economic Forecasting**
  Economic forecasting envisages the general economic condition like, boom or depression, upswing or downswing of the economy. Corresponding to these forecasts, sales and revenues of the business go up or down. In case of depression, timely forecast can prevent the firms from incurring losses. The main techniques in this forecast are Extrapolation, Leads and Lags, Econometrics.

- **Technological Forecasting**
  This forecasting analyses the impact of technological changes on the firm. It finds out the rate at which technology is changing, what will be the impact of new machines and equipment’s on existing plant and machinery, should the firm continue with the existing machines or replace them, in case of replacement, should they buy the new machine or take it on lease, what will be the impact of these decisions on profits. This forecasting can be done in two ways i.e. Exploratory forecasting and Normative forecasting.

- **Forecasts Regarding Government Policies**
  Government policies change from time to time to boost the economy. It may give fiscal incentives to promote investment in plant and machinery or some incentives may be withdrawn. This is done to regulate the national economy, prevent monopoly and promote healthy competition. Changes in Government’s policy and their impact on profits can be predicted through information published in various journals and newspapers.

- **Sales Forecasting**
  The sales forecast helps the firm to retain or increase its share of goods in the market. “The sales forecast is a prediction of expected sales, by product and price, for a number of months or years.” This is done irrespective of the size of the firms.

2.2.4. **SWOT ANALYSIS**

SWOT analysis is a business analysis process that ensures that objectives for a project are clearly defined and that all factors related to the project are properly identified. The SWOT analysis process involves four areas: Strengths, Weaknesses, Opportunities and Threats.

A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, initiatives, or within its organization. The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or grey areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.
### Table 2.1. SWOT Analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is our competitive advantage?</td>
<td>1. Where can we improve?</td>
</tr>
<tr>
<td>2. What resources do we have?</td>
<td>2. What products are underperforming?</td>
</tr>
<tr>
<td>3. What products are performing well?</td>
<td>3. Where are we lacking resources?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Threats</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What new regulations threaten operations?</td>
<td>1. What technology can we use to improve operations</td>
</tr>
<tr>
<td>2. What do our competitors do well?</td>
<td>2. Can we expand our core operations?</td>
</tr>
<tr>
<td>3. What consumer trends threaten business?</td>
<td>3. What new market segments can we explore?</td>
</tr>
</tbody>
</table>

### 2.2.5. PESTEL Analysis

PESTEL analysis is a framework used to analyze the external factors that influence an organization. SWOT analysis is a tool to identify internal capabilities and external threats and opportunities. SWOT analysis is done to identify the organization's strengths and weaknesses, as well as the opportunities and threats that the organization faces.

PESTEL analysis is a more comprehensive tool that takes into account political, economic, social, technological, environmental, and legal factors. SWOT analysis is limited to internal and external factors that are significant to the organization. PESTEL analysis is a more comprehensive tool that takes into account political, economic, social, technological, environmental, and legal factors. SWOT analysis is limited to internal and external factors that are significant to the organization.

PESTEL analysis includes six factors:

- **Political** (P)
- **Economic** (E)
- **Social** (S)
- **Technological** (T)
- **Environmental** (L)
- **Legal** (E)

These factors are used to assess the organization's external environment and identify opportunities and threats.
SWOT Analysis was first used to analyze businesses. Now it’s often used by governments, nonprofits, and individuals, including investors and entrepreneurs. There are four components in SWOT analysis. They include:

**Strengths**
Strengths describe what an organization excels at and what separates it from the competition: a strong brand, loyal customer base, a strong balance sheet, unique technology, and so on. For example, a hedge fund may have developed a proprietary trading strategy that returns market-beating results. It must then decide how to use those results to attract new investors.

**Weaknesses**
Weaknesses stop an organization from performing at its optimum level. They are areas where the business needs to improve to remain competitive: a weak brand, higher-than-average turnover, high levels of debt, an inadequate supply chain, or lack of capital are some weaknesses.

**Opportunities**
Opportunities refer to favorable external factors that could give an organization a competitive advantage. For example, if a country cuts tariffs, a car manufacturer can export its cars into a new market, increasing sales and market share.

**Threats**
Threats refer to factors that have the potential to harm an organization. For example, a drought is a threat to a wheat-producing company, as it may destroy or reduce the crop yield. Other common threats include things like rising costs for materials, increasing competition, tight labour supply and so on.

A SWOT analysis is a great way to guide business-strategy meetings. It is a powerful tool to discuss the company’s core strengths and weaknesses, define the opportunities and threats, and thereby brainstorm ideas. An organization can use a SWOT for overall business strategy sessions or for a specific segment such as marketing, production, or sales. This way, we can see how the overall strategy developed from the SWOT analysis will filter down to the segments below before committing to it. We can also work in reverse with a segment-specific SWOT analysis that feeds into an overall SWOT analysis.

### 2.2.5. PESTEL ANALYSIS

The most used detailed analysis of the environment is the PESTLE analysis. Managers and strategy builders use this analysis to find where their market currently is. It also helps foresee where the organization will be in the future. PESTLE analysis consists of various factors that affect the business environment. Each letter in the acronym signifies a set of factors. These factors can affect every industry directly or indirectly.

The letters in PESTLE, also called PESTEL, denote the following things:
P - ಪ್ರತಿಯೊಂದು ಅವಧಿ
ಸಹಿತ ಒಂದು ವಿಧಾನ ಸಿದ್ಧಾಂತ ಸಂತಾನ ಮಿಲುವಿಕೆಯನ್ನು ನಿರ್ವಹಿಸುವ. ಆ ನಿದರ್ಶನ ಮೇಲೆ ರಾಜ್ಯದಲ್ಲಿ ಸಿದ್ಧಾಂತವನ್ನು ಊರುತ್ತಿರುವ ವಿಧಾನ ವ್ಯತ್ಯಾಸಗಳನ್ನು ನಿರ್ಧರಿಸಿದ್ದು.

E - ಎ ಅವಧಿ
ಆಗ್ಗಿಯ ಮತ್ತು ಸಭಾ ಯುದ್ಧ ಶಿಕ್ಷೆಗಳನ್ನು ಮುಖ್ಯ ಮತ್ತು ಪ್ರತಿಯೊಂದು ಯುದ್ಧದಲ್ಲಿ ನಿರ್ವಹಿಸುವ. ಆ ಮೇಲೆ ಮುಖ್ಯ ಯುದ್ಧದ ಪ್ರಮುಖ ಯುದ್ಧ ಶಿಕ್ಷೆಗಳನ್ನು ನಿರ್ವಹಿಸುವ. ಶಿಕ್ಷೆಯು ಮುಖ್ಯವಾಗಿ ಮುಖ್ಯ ಯುದ್ಧದ ಪ್ರಮುಖ ಯುದ್ಧದ ಶಿಕ್ಷೆಯಿಂದ ನಿರ್ಧರಿಸಿದ್ದು.

S - ಸಾಮಾನ್ಯ ಅವಧಿ
ನುಂದಿ ಆಯುಕ್ತದಲ್ಲಿ ನಿಂತ ಒಂದು ಹೆಸರು. ಆಧುನಿಕ ಮತ್ತು ಸಾಮಾನ್ಯ ಯುದ್ಧದಲ್ಲಿ ನಿರ್ವಹಿಸುವ. ಶಿಕ್ಷೆಯು ಸಾಮಾನ್ಯ ಯುದ್ಧದ ಪ್ರಮುಖ ಯುದ್ಧದ ಶಿಕ್ಷೆಯಿಂದ ನಿರ್ಧರಿಸಿದ್ದು.

T - ತೆರೆದು ಅವಧಿ
ನುಂದಿ ನುಂದಿ ಅವಧಿಗಳು ಸಹಿತಿಯ ಕಾಲವನ್ನು ನಿರ್ವಹಿಸುವ. ನಿರ್ವಹಿಸುವ ಶಿಕ್ಷೆಗಳು ಸಹಿತಿಯ ಕಾಲದಲ್ಲಿ ನಿರ್ವಹಿಸಿದ್ದು.

L - ಲ್ಯಾಬ ಅವಧಿ
ಆಗ್ಗಿಯ ಮಾರ್ಗದಲ್ಲಿ ಸಹಿತಿ ಮೇಲೆ ನಿರ್ವಹಿಸುವ. ನಿದರ್ಶನ ಮೇಲೆ ಸಹಿತಿಯ ಕಾಲದಲ್ಲಿ ನಿರ್ವಹಿಸಿದ್ದು.

E - ಎ ಅವಧಿ
ಆಗ್ಗಿಯ ಮತ್ತು ಸಭಾ ಯುದ್ಧ ಶಿಕ್ಷೆಗಳನ್ನು ಮುಖ್ಯ ಮತ್ತು ಪ್ರತಿಯೊಂದು ಯುದ್ಧದಲ್ಲಿ ನಿರ್ವಹಿಸುವ. ಶಿಕ್ಷೆಯು ಮುಖ್ಯ ಯುದ್ಧದ ಪ್ರಮುಖ ಯುದ್ಧದ ಶಿಕ್ಷೆಯಿಂದ ನಿರ್ಧರಿಸಿದ್ದು.

ನುಂದಿ ಶಿಕ್ಷೆಯು ಯುದ್ಧದ ಶಿಕ್ಷೆಯಿಂದ ನಿರ್ವಹಿಸಿದ್ದು.

PEST ಎಂಬುದನ್ನು ಪ್ರತಿಯೊಂದು ಅವಧಿಯ ಶಿಕ್ಷೆಗಳು ಮುಖ್ಯ ಮತ್ತು ಪ್ರತಿಯೊಂದು ಯುದ್ಧದಲ್ಲಿ ನಿರ್ವಹಿಸಿದ್ದು.

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- Political factors
- Economic factors
- Social factors
- Technological factors
- Legal factors
- Environmental factor

**P for Political factors**
The political factors involve the country’s current political situation. It also reads the global political condition’s effect on the country and business.

**E for Economic factors**
Economic factors involve all the determinants of the economy and its state. These are factors that can conclude the direction in which the economy might move. So, businesses analyze this factor based on the environment. It helps to set up strategies in line with changes.

**S for Social factors**
Countries vary from each other. Every country has a distinctive mindset. These attitudes have an impact on the businesses. The social factors might ultimately affect the sales of products and services.

**T for Technological factors**
Technology is advancing continuously. The advancement is greatly influencing businesses. Performing environmental analysis on these factors will help you stay up to date with the changes. Technology alters every minute. This is why companies must stay connected all the time. Firms should integrate when needed. Technological factors will help you know how the consumers react to various trends.

**L for Legal factors**
Legislative changes take place from time to time. Many of these changes affect the business environment. If a regulatory body sets up a regulation for industries, for example, that law would impact industries and business in that economy. So, businesses should also analyze the legal developments in respective environments.

**E for Environmental factors**
The location of a business influences its trade. Changes in climate can affect the trade. The consumer reactions to particular offering can also be an issue. This most often affects agri-businesses. It is true that industry factors have an impact on the company performance. Environmental analysis is essential to determine what role certain factors play in your business. PEST or PESTLE analysis allows businesses to take a look at the external factors. Many organizations use these tools to project the growth of their company effectively.
KEY TERMS

1. **Brand equity**: Brand equity refers to a value premium that a company generates from a product with a recognizable name when compared to a generic equivalent. Companies can create brand equity for their products by making them memorable, easily recognizable, and superior in quality and reliability.

2. **Human resources**: The personnel of a business or organization, regarded as a significant asset in terms of skills and abilities. Human resources (HR) is the division of a business that is charged with finding, screening, recruiting, and training job applicants, as well as administering employee-benefit programs.

3. **Management structure**: A management structure describes how a company organizes its management hierarchy. It also determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management.

4. **Articles of association**: Articles of association form a document that specifies the regulations for a company’s operations and defines the company’s purpose. The document lays out how tasks are to be accomplished within the organization, including the process for appointing directors and the handling of financial records.

5. **Logistics**: Logistics is the overall process of managing how resources are acquired, stored, and transported to their final destination.

6. **Suppliers**: A supplier is an entity that supplies goods and services to another organization. This entity is part of the supply chain of a business, which may provide the bulk of the value contained within its products.

7. **Marketing intermediaries**: Independent firms which assist in the flow of goods and services from producers to end-users; they include agents, wholesalers and retailers; marketing services agencies; physical distribution companies; and financial institutions.

8. **Indigenous**: The word ‘indigenous’ refers to the notion of a place-based human ethnic culture that has not migrated from its homeland, and is not a settler or colonial population.

9. **Export Duty**: Export duties consist of general or specific taxes on goods or services that become payable when the goods leave the economic territory or when the services are delivered to non-residents.

10. **Import Duty**: Import duty is a type of tax levied on the import and specific exports of a nation’s customs authorities.
11. **Secondary Sources**: a secondary source of information is one that was created later by someone who did not experience first-hand or participate in the events or conditions he is researching.

**TEST YOUR UNDERSTANDING**

1. Which of the following are dimensions of Business environment.
   A. Economic environment
   B. Technological environment
   C. Social environment
   D. All the above

2. ..........are generally considered as controllable factors.
   A. Internal factors
   B. External factors
   C. Cost of production
   D. None of these

3. Environment which is outside the control of business is called.
   A. Internal environment
   B. External Environment
   C. Micro environment
   D. Macro environment

4. Micro environment is also called as
   A. General environment
   B. Operating environment
   C. Economic environment
   D. Political environment

5. Marketing intermediaries are categorized under …… Environment.
   A. External
   B. Macro
   C. Micro
   D. Remote.

6. ……. is the process of analyzing the environment for the identification of the factors which impact on the business.
   A. Environmental analysis
   B. SWOT analysis
   C. Environment Forecasting
   D. Factor analysis
7. The analysis which helps to diagnose the competitive forces and to identify the strength and weakness is called…..
   A. SWOT analysis
   B. Competitive analysis
   C. Structural analysis
   D. Financial analysis

8. Strategy of a firm is shaped by………………
   A. Mission
   B. Objectives
   C. SWOT
   D. All the above

9. Which of the following are the part of PESTLE analysis
   A. Political factors
   B. Economic factors
   C. Social factors
   D. All the above are parts

10. Which of the following is not a political risk
    A. Government regulation
    B. Cost of production
    C. War
    D. Civil unrest

**ANSWERS**

**INERACTIVE LINKS**
https://www.google.co.in/books/edition/Organisations_and_the_Business_Environment/Tk8sBgAAQBAJ?hl=en&gbpv=1&dq=types+of+business+environment&printsec=frontcover

**FOR ADVANCED LEARNERS…**

- Imagine you are the manager for a business enterprise. Prepare a SWOT analysis for your business.
- List out different factors influencing a local business and segregate them into different dimensions.
Learning Outcomes:

After reading this chapter, the student should be able to:

1. understand Economic Environment
2. differentiate the various structures of economic systems
3. understand various economic policies of a nation.
4. summarize the objectives of Economic Planning in India
5. critically examine the objectives of NITI Aayog and Planning Commission

Economic Environment

3.1. Economic Environment
3.2. Types of the Economic System
3.3. Capitalist Economy
   3.3.1. Characteristics of Capitalist Economy
   3.3.2. Advantages of Capitalist Economy
   3.3.3. Disadvantages of Capitalist Economy
3.4. Socialist Economy
   3.4.1. Characteristics of Socialist Economy
   3.4.2. Advantages of Socialist Economy
   3.4.3. Disadvantages of Socialist Economy
3.5. Mixed Economy
   3.5.1. Characteristics of Mixed Economy
   3.5.2. Advantages of Mixed Economy
   3.5.3. Disadvantages of Mixed Economy
3.6. Structure of the Economic System
3.7. Economic Policies
అధికారి కోశిచేసే పరిస్థితులలో వాయిదానివేసే నియమాలు కనిపించబడుతుంది. ఈ నియమాలను ప్రత్యేకమైనవి. తెలియించవచ్చు అధికారి కోశి కోసం కేంద్ర విభాగం కోసం విచిత్రప్రస్తుతి పనిచేయడానికి మాత్రమే మూల అధికారి కోశి కోసం మాత్రమే మూల అధికారి కోశి కోసం మాత్రమే మాత్రమే మాత్రమే 

స్థానిక అధికారి మద్దతు కలిగి కళాపాధ్యాయానికి, శుష్క పరిస్థితులలో, ప్రత్యేక విషయాలలో నిర్ణయం చేయడానికి 

అధికారి కోశి విభాగం మద్దతు కలిగి కళాపాధ్యాయానికి, శుష్క పరిస్థితులలో, ప్రత్యేక విషయాలలో నిర్ణయం చేయడానికి 

అధికారి కోశి విభాగం మద్దతు కలిగి కళాపాధ్యాయానికి, శుష్క పరిస్థితులలో, ప్రత్యేక విషయాలలో నిర్ణయం చేయడానికి.
CHAPTER OVERVIEW

The economic conditions prevailing in a country are important to ascertain the success of a business. These economic conditions are referred to as economic environment. The kind of economic system present in the country, structure of economy, and economic policy decisions and planning are all part of economic environment.

The present chapter attempts to define different kinds of economic systems and their characteristics in detail while analyzing their advantages and disadvantages. Also, it defines various economic structures and discusses sectorization of economy based on nature of activity, work condition and asset ownership of economic activity. Brief introduction of economic policies and its components are also given which will be dealt in detail in later chapters.
3.1. అధికారాదాయం

అధికారాదాయం గానే ఉన్నాయం అంటే ఉండేందుకం. మాత్రమే అధికారం వాటాయం, సమాధానం అధికారం మార్గాలు. 

ఆధికారాదాయం త్వరగా ఈ ఆధికారం అధికారం వాటాయం లేదు. ఆధికారం ఆధికారం ఆధికారం లేదు. తేదీ అధికారం లేదు. అధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. 

3.1.1. అధికారాదాయం వివరణ

ఆధికారం ఆధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. 

3.1. అధికారాదాయం సంఖ్యలు

ఆధికారం ఆధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. తేదీ అధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు. 

ఆధికారం ఆధికారం ఆధికారం లేదు.

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3.1. ECONOMIC ENVIRONMENT

Business environment can be classified into two major categories - the Economic environment and the Non-Economic environment. Economic environment refers to all those economic factors which have influence on business in a given scenario. The economic system of the country, life expectancy of the public, savings, investment, industrial policies of the country, monetary policy and fiscal policies, income, distribution of income, inflation, expenditure styles of the consumers are the basic components of the economic environment.

Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell its finished goods. Naturally, the dependence of business on the economic environment is total and it is not surprising because, as it is rightly said, business is one unit of the total economy. It is difficult to be precise about the factors that constitute the economic environment of a country. However, there are some factors which have considerable influence.

3.1.1. COMPONENTS IN ECONOMIC ENVIRONMENT

The Nature of Economic System
An Economic System can be defined as a continuous process by the nation so as to satisfy the needs of the population by utilizing the limited resources and thereby providing the goods and services.

If a country follows capitalistic pattern of economic system, there is a greater scope for private entrepreneurs and there will be no interference of the government and its control over the business firms. If the government selects socialistic pattern of economic system, there will be a full control on business and supply system. If the government follows mixed economy there will be public sector as well as private sector. Hence, it can be concluded that there is great impact on business system of the country by its economic system.

The Structure of the Economy
The structure of the economy includes the factors such as the contribution of different sectors that exist in the economy and ownership of businesses. There are three sectors that exist in every economy.
మార్గాలు మాముళ్ళతో పెద్దతో మరణం, చి మరణం, నాగమం, మరియు మరణాధికారి మరణం, మాగా ఇది మరణం రీతి ప్రమాణం. ఈపై ఇది మేఘములను ఈ మరణం దిగువ ప్రారంభ కావు ప్రాంతం.

అధీనంలో వన్ను అంటే మొదట్టము తెలియజేసాం. అప్పుడు కాలుకడు ఆధారంగా ఈ కార్యం చేయవచ్చు. ఈ కార్యం చేయాలగూ ఉండాలి. వేదిక వాటిని ప్రత్యేకంగా ఉండాలి. ఈ కార్యం చేయాలంటే అతి దానితో ప్రమాణం చేయవచ్చు. అరుదుగా అంటే ఈ కార్యం చేయాలు ప్రారంభం చేయవచ్చు. ప్రపంచం ప్రదేశం ఈ కార్యం చేయాలవచ్చు. ఖై ఈ అధీనం అంటే ఆధికారిక పరిస్థితి.  

అధీనంలో వన్ను ఉండాలి. WTO, IMF, అధీనంలో వన్ను ఉండాలి.  

3.2. అధీనంలో వన్ను - పరమాణు  

అధీనం అధీనం ఉండాలి. WTO, IMF, అధీనం ఉండాలి.
with different priorities according to availability of its natural resources. The three sectors are Primary Sector (Agriculture) Secondary Sector (Industrial Sector) and Tertiary Sector (Services Sector).

**Economic Policies**
Each economic function is based on unique set of conditions and assumptions. The economic policy of the government covers the system of setting levels of taxation; government budgets; the money supply; interest rates as well as the labour market, ownership and many other areas of government interventions into the economy. The government frames economic policies in the form of industrial policy, fiscal policy, monetary policy, foreign policy and EXIM Policy which directly influence all the business activities.

**Economic Planning**
Economic Planning can be defined as a process of conceiving; initiating; regulating and controlling economic activity by the state, according to set priorities with a view to achieve well-defined objectives within a given time. Economic planning is a resource allocation mechanism based on a computational procedure for solving a constrained maximization problem with an iterative process for obtaining its solution. Planning is a mechanism for the allocation of resources between and within organizations contrasted with the market mechanism.

**Economic Factors and Problems**
The economic factors involve a number of factors like economic conditions, gross domestic product, per capita income, capital formation, foreign exchange reserves and growth of foreign trade. These factors have strong influence on the operation and growth of business. Problems like unemployment, poverty, recession, inflation also have great impact on business line of a country.

**Global Economic Policy**
A business enterprise dealing with foreign trade will be influenced by the economic environment of their own country as well as the international business policies. Today, every business is facing competition from the businesses of other countries on the globe. Policies of the international organization like WTO, IMF and World Bank have great impact on the business of any nation in the light of globalization. Hence, the stand of the country pertaining to international business relations may influence the Economic environment of the said country.

### 3.2. TYPES OF THE ECONOMIC SYSTEM
The way scarce resources get distributed within an economy determines the nature of economic system. There are different types of economic systems used throughout the world. Broadly, they are capitalistic economy, socialistic economy and mixed economy. Each type of economy has its own strengths and weaknesses.

An economic system is an organized way in which a country allocates resources and distributes goods and services across the whole nation or a given geographic area. It includes the combination of several institutions, entities, agencies, decision-making processes and patterns of consumption that make up the economic structure of a specific community.
3.3. Economic Systems

3.3.1. Capitalist Economic System

- Owned by private sectors
- Freedom to start business
- Supply and demand

3.3.2. Socialist Economic System

- Owned by the government
- Government Regulation
- Price Control

3.3.3. Mixed Economic System

- Joint Sector
- Planned Economy
- Economic freedom

Fig. 3.2
The goal of the economic system of a society is to determine what to produce, how to produce, and for whom to distribute goods and services. The primary goal of an economic system is to provide people with a minimum standard of living or quality of life.

3.3. CAPITALIST ECONOMY

Capitalistic economy is an economic system in which private individuals or businesses own capital goods. The production of goods and services is based on supply and demand in the general market known as a market economy.

The system of capitalistic economy stresses the philosophy of individualism believing in private ownership of all agents of production in private sharing of distribution processes that determine the functions rewards of each participant, and in individual expression of consumer choice through a free market place. In its political manifestation, capitalistic economy may fall in a range between extreme individualisms and anarchism (no government) and the acceptance of some state sanctions. The capitalist system is also known as free enterprise economy and can be classified as given below.

- The old, laissez-faire capitalistic economy where government intervention in the economy is absent or negligible; and
- The modern, regulated or mixed capitalistic economy, where there is a substantial amount of government intervention.

3.3.1. CHARACTERISTICS OF CAPITALIST ECONOMY

The purest form of capitalistic economy is free market or laissez-faire capitalistic economy. Here, private individuals are unrestrained. They may determine where to invest, what to produce or sell, and at which prices to exchange goods and services. The laissez-faire marketplace operates without checks or controls. The following are the primary characteristics of capitalistic economy.

Private Ownership
Capitalistic economy is based on property rights and on the principles that the government should leave economic production to the private sector.

Capital Accumulation
Capitalistic economy is a competitive system whereby capital is accumulated by individuals who are successful in the market. This is intended to give individuals incentive to work, innovate and improve things.

Capital Concentration
In a capitalist system, capital typically becomes concentrated such that a relative small number of people, known as a capitalist class, own much of the property in a nation.
Fig-3.3

Characters of Capitalist Economy

- Private Ownership
- Capital Accumulation
- Capital Concentration
- Voluntary Participation
- Free Markets
- Competition

3.3.2. Characteristics of Capitalist Economy

1. **Private Ownership**
   - It allows individuals to own and control property and resources.
   - This leads to the accumulation of capital.
   - Capital is invested in productive activities, leading to growth.

2. **Capital Accumulation**
   - Capital is accumulated through saving and investment.
   - This accumulation allows for the expansion of production and the creation of wealth.

3. **Capital Concentration**
   - Capital is concentrated in the hands of a few individuals or companies.
   - This concentration allows for economies of scale and increased efficiency.

4. **Voluntary Participation**
   - Voluntary participation in economic activities is encouraged.
   - This leads to a more efficient allocation of resources.

5. **Free Markets**
   - Markets are free from government intervention.
   - This allows for the price mechanism to determine the allocation of resources.

6. **Competition**
   - Competition among producers ensures that the best products are produced.
   - This leads to innovation and improved quality.

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3.3.2. Sankalpam: Andhra Pradesh

1. Andhra Pradesh is的朋友是值得信赖的。
2. 我们应该采取措施确保公平竞争。
3. 我们应该积极参与社会和经济活动。
4. 我们应该采取措施确保政府的透明度和参与度。
Voluntary Participation
Capitalistic economy is based on a system of voluntary participation whereby everyone is free to start any company he imagines or pursues any career he desires.

Free Markets
Economic decisions are made by the market as opposed to a government. Market participants freely decide how to allocate capital and what prices to set for goods. This can be contrasted with systems of government control where the government decides what will be produced and how much it will cost.

Wage Labor
In a capitalist system, much of the capital is usually owned by a small capitalist class. Most people in a capitalist system offer their labour to the market to earn a living. This group is known as the working class. Wages are set by supply and demand. People may pursue education and self-improvement to achieve higher wages by becoming qualified for professions that are in high demand.

Competition
Capitalistic economy relies on intensive competition to allocate resources efficiently, improve things and lower prices. If the government interferes in the market by preferring one firm over another, competition can break down. Likewise, if a firm becomes extremely large it begins to resemble a government that controls an entire industry without competition. Governments play a role in designing and enforcing rules to keep competition alive.

Welfare Capitalistic economy
A pure form of capitalistic economy, known as laissez-faire capitalistic economy is a survival of the fittest system where the government plays no role in the economy. At present this system is rare. In practice, governments impose regulations, taxes, tariffs and subsidies. Ideally, this is all designed for the good of the public to raise the quality of life of a nation.

For example, a government can tax the capitalist class to provide a basic quality of life for all residents in areas such as education, infrastructure, transportation and healthcare. A government can also protect consumers, workers and the environment by regulating businesses.

3.3.2. ADVANTAGES OF CAPITALIST ECONOMY
- The resources are utilized efficiently and economically.
- Producers, consumers and the workers all enjoy economic freedom and are free to work, as they like. Goods are produced according to the taste, preference and demand of consumers.
- Capitalist system can make changes according to the needs and circumstances of the economy. It has inbuilt flexibility.
- An automatic equilibrium is brought about by the operation of price mechanism and market forces. No central direction is required for the operation of the economy.
There is no interference in economic matters. Every individual is free to take decisions as to his economic activities keeping in mind his own-interest.

Every producer tries to earn as much as possible by increasing his output, bringing newer commodities into the market etc.

Entrepreneurs are encouraged to invest more money even in the projects involving high risk by providing them incentives. This results in technological progress and new innovations, which involves great risks.

The capitalist countries have become rich and affluent, and people of such countries enjoy higher standard of living.

Capitalistic economy encourages Capital formation

3.3.3. DISADVANTAGES OF CAPITALIST ECONOMY

In a capitalist economy, wealth enjoys the prestige in the society, which results in erosion of human values.

There is a large-scale wastage of resources due to unnecessary competition.

In capitalist system, owners of the means of production can earn more as compared to those who do not possess much means of production. This brings wide inequalities in the distribution of income and wealth.

In modern capitalist market group rivalries and price wars, price-agreements etc. are commonly found. Speculative practices are also present in the system.

In capitalist countries, society possesses two classes such as haves and have-nots. Such division results in conflict in the form of strikes, lockouts and industrial disputes in the economy. Under capitalistic economy, capitalists generally exploit the poor laborers.

There is no coordination among the activities of different producers and consumers under capitalistic economy. It is entirely left to the operation of market mechanism. This gives rise to the problem of inflation and deflation.

Capitalist system creates unemployment problem also. Under capitalist economy, laborers are not paid reasonably. So, their purchasing power becomes less. This reduces the aggregate demand in the economy, which results in less production and unemployment.

Capitalistic economy is basically a sellers’ market where consumer has no freedom. This is because, under capitalist economy, producers enjoy monopoly in the market and produce substandard goods. So, it is the producer who influences the market and not the consumer.
1991-02-02 U.S.S.R. என்று தொகுதியை இந்திய நாட்டில் வந்துள்ளதாய். அது சுருக்கு அவர்கள் (தொகுதியை நிரலத்தை வளர்த்த) பொருள்பாடல் உண்டாக்கும் பொருள்பாடல். அவர் பெண்கள் மற்றும் பெண்கள் இவர்கள் நூற்றணக்கூறுகள் முன்னர், மக்களும் அவற்றுக்கு மிக்கதற்கும் மேல்புறம் முற்றிலும்.

நூற்றாண்டு காலம் வழிப்புழந்து. மேலும் இரவுக்குச் சுருக்கத்தை செவ்விய நாட்டில் வந்துள்ளதாய். அது சுருக்க புத்தாண்டு (தொகுதியை வளர்த்த) பொருள்பாடல் உண்டாக்கும் பொருள்பாடல். இது, குறுக்கு அவர்கள், முன்னர் அவர்கள் மற்றும் இவர்கள் நூற்றணக்கூறுகள் முன்னர், மக்களும் அவற்றுக்கு மிக்கதற்கும் மேல்புறம் முற்றிலும்.

3.4.1. அடுத்தும் நாட்டில் வந்துள்ளதாய்

நூற்றாண்டு என்று இந்திய நாட்டில் வந்துள்ளதாய். இராமந்து என்று இந்திய நாட்டில் வந்துள்ளதாய். அவர்கள் என்று இந்திய நாட்டில் வந்துள்ளதாய். இது, சுருக்கு அவர்கள் (தொகுதியை நிரலத்தை வளர்த்த) பொருள்பாடல் உண்டாக்கும் பொருள்பாடல். இது, சுருக்க புத்தாண்டு (தொகுதியை வளர்த்த) பொருள்பாடல் உண்டாக்கும் பொருள்பாடல். இந்து நூற்றாண்டுக்குப் பின்னர் இந்திய நாட்டில் வந்துள்ளதாய்.

அது, தொன்மை, தொன்மை மற்றும் தொன்மை

நன்மை என்று இந்திய நாட்டில் வந்துள்ளதாய். முன்னர் இந்திய நாட்டில் வந்துள்ளதாய். மிக்கவே என்று இந்திய நாட்டில் வந்துள்ளதாய். தொன்மை என்று இந்திய நாட்டில் வந்துள்ளதாய். அது, தொன்மை என்று இந்திய நாட்டில் வந்துள்ளதாய்.

கையெழுத்து அதைப் பின்னர்

நூற்றாண்டு என்று இந்திய நாட்டில் வந்துள்ளதாய். முன்னர் இந்திய நாட்டில் வந்துள்ளதாய். மிக்கவே என்று இந்திய நாட்டில் வந்துள்ளதாய். தொன்மை என்று இந்திய நாட்டில் வந்துள்ளதாய்.
3.4. SOCIALIST ECONOMY

Socialistic economy is a populist economic and political system based on public ownership of the means of production. These means include the machinery, tools, and factories used to produce goods that aim to directly satisfy human needs. Socialists believe that everything in society is made by the cooperative efforts of the state and public. Socialists contend that shared ownership of resources and central planning provide a more equal distribution of goods and services and a more equitable society. Communism and Socialistic economy are political and economic systems that are related but often confused with each other. Communism and Socialistic economy are political and economic systems that share certain beliefs, including greater equality in the distribution of income.

Today, it would be hard to point to countries that are purely socialist. Still, there are countries that identify as majorly socialist, though they also incorporate some little forms of capitalistic economy or communism. Before its collapse in 1991, the U.S.S.R was a socialist state. All the means of production were controlled by the state. If anybody wanted essential items, he had to get it from the government. Cow and the land were owned by the state. Owning a cow for commercial purposes would be treated as a crime.

Cuba is another prominent example of a socialist nation. The government controls the economy, all levels of education, the national health education, housing, maintains subsidized food programs, utilities, and even entertainment. The country does not have a stock exchange, which is a major indicator that the country is not capitalistic. About 80 percent of the workforce in Cuba work in state facilities.

3.4.1. CHARACTERISTICS OF SOCIALIST ECONOMY

The term Socialistic economy has become increasingly popular, though many have been misusing the term without a proper understanding of its real meaning. Socialistic economy is an economic system of social organization where the means of production are socially owned, rather than being privately owned. The main characteristic features of Socialistic economy are explained as follows:

**Collective Ownership**
In Socialistic economy, all means of production are owned by the community, i.e., Government, and no individual can hold private property beyond certain limit. Therefore, it is government which utilize these resources in the interest of social welfare.

**Economic, Social and Political Equality**
Under Socialistic economy, there is almost equality between rich and poor. There is no problem of class struggle.

**Economic Planning**
Under Socialistic economy, government fixes certain objectives. In order to achieve these objectives, government adopts economic planning. All types of decisions regarding the central problems of an
3.4.2. క్రమంలో అడుగు పాటులు నిర్ధారించడానికి
1. ఈ చిహ్నాననం నిలిచాడు. ఈప్పుడు ఈ చిహ్నం కొంతం వేస్తుంది.
2. చిహ్నాననం ఎందుకంటే క్రమంలో పాటుల అధికారం తగ్గుతుంది. ఈ చిహ్నం ముఖ్యంగా చేస్తుంది. 
3. పాటు వ్యవస్థాన్నం ఈప్పుడు పాటు సాధన నిలిచాడు. 
4. పాటు వ్యవస్థాన్నం ఈప్పుడు పాటు నిలిచాడు. 
5. పాటు వ్యవస్థాన్నం ఈప్పుడు పాటు నిలిచాడు. 
6. పాటు వ్యవస్థాన్నం ఈప్పుడు పాటు నిలిచాడు. 
7. పాటు వ్యవస్థాన్నం ఈప్పుడు పాటు నిలిచాడు.

3.4.3. క్రమంలో అడుగు పాటులు నిర్ధారించడానికి
1. ముఖ్యత్తుగా ఈప్పుడు నిలిచాడు. 
2. ముఖ్యత్తుగా ఈప్పుడు నిలిచాడు.
economy are taken in the economic plans. There is a Central Planning Authority, which plans for the economy.

**Positive Role of Government**
In Socialistic economy, government plays significant role in decision making. Thus, government has complete control over economic activities like distribution, exchange, consumption, investment and foreign trade.

**Provision of Basic Needs**
In a socialist economy, the basic needs – food, shelter, clothing, education, health and employment – are provided by the government without any discrimination. This is one of the greatest advantages of Socialistic economy. Provision of basic needs by the government can, however, result in the masses thinking that they cannot survive without the government, creating a perfect environment for the rise of authoritarian governments.

**No Competition**
Typically, when anybody wants to buy a car, there is limited choice. There are no different brands and different models with varying features and prices. It’s up to you to choose the best one for you. The same applies for many other products. In a socialistic economy, there is no competition in the market since the state is the sole entrepreneur. The state only focuses on provision of necessities, which results in limited consumer choice.

**Price Control**
One might be wondering how prices are regulated in an economy without any market competition. In socialistic economies, the prices of products are controlled and regulated by the state. The states sets both the market price for consumer goods and the accounting price which helps managers to make decisions about the production of goods.

**Social Welfare**
Another major reason behind the rise of socialistic economy was to protect the working class from the exploitation. The state takes care of the working class through employment protection, minimum wages and trade union recognition rights.

### 3.4.2. ADVANTAGES OF SOCIALIST ECONOMY

- There is only one class in a socialistic economy and hence, there is no question of exploitation of labour.
- All types of natural resources are utilized in a most organized manner. Its main objective is to exploit these resources for the welfare of society.
- In order to solve various problems in the system there is proper economic plan in this type of economy. Thus, socialistic economy will adopt the balanced development strategy.
- Economic stability is maintained by the government on the basis of economic planning. There are no cyclical fluctuations in such a system.
3. 3.5. 68
The aim of socialist economy is to maximize social welfare of the society. It provides equal opportunities of employment to all individuals according to their abilities.

The Central Planning Authority is the main figure in a socialist economy. It coordinates the natural, human and physical resources to achieve economic progress of the country.

This type of economic system is most suitable to the needs of developing countries as all means of production are controlled by the government.

### 3.4.3. DISADVANTAGES OF SOCIALIST ECONOMY

- A consumer has no choice of his own, he acts as a mere slave under this system. Government produces goods and services keeping in view the needs of the people.
- Socialist economy is always less democratic as it possesses no element of freedom. It is also like government dictatorship.
- Government rules the country according to its own interest. No automatic function in system exists at all.
- All economic activities are controlled by the government. Thus, they develop all evils of bureaucracy like favouritism, delay, corruption and other evils.
- Socialist economy is very rigid and not susceptible to change according to requirements. Hence, people work like a machine and never get any incentive to work.
- All the economic activities are performed by the Central Authority on behalf of the government. Hence, it is overburdened with daily activities and, therefore, it gets very less time to think and plan for the economic prosperity of the country.
- Planning is a long process in a socialist economy. This expenditure is unnecessarily wasteful and a burden on the national economy.

### 3.5. MIXED ECONOMY

A mixed economic system is a system that combines aspects of both capitalistic economy and Socialistic economy. A mixed economic system protects private property and allows a level of economic freedom in the use of capital, but also allows for government to interfere in economic activities in order to achieve social aims. Mixed economies typically maintain private ownership and control of most of the means of production, but often under government regulation. Mixed economies socialize select industries that are deemed essential or that produce public goods. Mixed economic system is not laissez-faire systems, because the government is involved in planning the use of some resources and can exert control over businesses in the private sector. Government may seek to redistribute wealth by taxing the private sector, and using funds from taxes to promote social objectives.

#### 3.5.1. CHARACTERISTICS OF MIXED ECONOMY

**Co-existence of the Private and Public Sectors**

Co-existence of the private and public sectors is the outstanding feature of mixed economy. Certain industries will be in the public sector and certain industries in the private sector. Private individuals
3.5.2. మార్గం అధిక పేరు గణనాకు

1. మిగిలిన సమాచార ప్రస్తుతి నిషేదం మేలు అందించండి అధికంగా 10వ పేరు గురించి.

2. మిగిలిన ప్రంభం నిషేదం మేలు అందించండి 10వ పేరు గురించి.

3. మిగిలిన ప్రంభం నిషేదం మేలు అందించండి 10వ పేరు గురించి.

4. మిగిలిన ప్రంభం నిషేదం మేలు అందించండి 10వ పేరు గురించి.

5. మిగిలిన ప్రంభం నిషేదం మేలు అందించండి 10వ పేరు గురించి.

6. మిగిలిన ప్రంభం నిషేదం మేలు అందించండి 10వ పేరు గురించి.
and firms own private sector industries. Profit will be the primary motive of private sector industries. In public sector, industries are owned and managed by the Government. Public industries will also have profit motive but that too for the promotion of social welfare.

**Existence of Joint Sector**- A mixed economy also has a joint sector which is run jointly by the state and private enterprises. It is organized on the basis of a joint stock company where the majority shares are held by the state.

**Regulation of Private Sector**- Under mixed economy, Government exercises strict control and regulation over private sector industries. Even though everyone is free to start a company or an industry as he desired, but he is to follow some regulations stipulated by the government.

**Planned Economy**- There is a central planning authority in a mixed economy. A mixed economy operates on the basis of some economic plan. All sectors of the economy function according to the objectives, priorities and targets laid down in the plan. In order to fulfill them, the state regulates the economy through various monetary, fiscal and direct control measures. The aim is to check the evils of the price mechanism.

**Private Property**- Under mixed economy, private firms and individuals have right to own and use property. But some restrictions have been imposed on private individuals so as restrict or prevent the concentration of wealth in the hands of few.

**Social Welfare**- The principal aim of a mixed economy is to maximize social welfare. This feature incorporates the merits of Socialistic economy and avoids the demerits of capitalistic economy. To remove inequalities of income and wealth, and unemployment and poverty, useful measures such as social security, public works, etc. are adopted to help the poor. On the other hand, restrictions are placed on the concentration of monopoly and economic power in the hands of the rich through various fiscal and direct control measures.

**Motive of Business Concerns**- The motive of the business concerns is profit but coupled with the objective of social welfare.

**Reduction of Inequalities of Income and Wealth**- The Government take steps to reduce inequalities of income and wealth. For this purpose, governments impose progressive taxation and introduce regulations on wealth concentration.

**Complete Economic Freedom**- There is complete economic freedom in mixed economy. Hence, the consumer is free to buy any commodity they like.

### 3.5.2. ADVANTAGES OF MIXED ECONOMY

- There will be competition between public and private industries, which will result in greater efficiency and production in a mixed economy.
3.6. 

![Diagram of Indian Economic Sector]

**Fig. 3.4**
The profit of public sector industries goes to the Government and as a result inequalities of income will be reduced in mixed economy.

In a mixed economy, economic activities are carried out as per plan. The entire economic system is subject to systematic planning of the Government.

The economic activities take place in a planned manner. So there will be economic stability in mixed economy.

Goods are produced as per the wishes of the consumers, which results in consumer’s sovereignty in a mixed economy.

Competition between public and private sectors increases efficiency, initiative, innovation and productivity.

Gives importance to the promotion of social welfare. Both private and public sectors work for the welfare of people.

Individual rights are protected. People have freedom to buy any commodity.

3.5.3. DISADVANTAGES OF MIXED ECONOMY

There is unhealthy competition between private and public sectors in a mixed economy.

There is no freedom to private sector in mixed economy. This is because Government regulates private industries through its various regulations and licensing.

Inefficiency of public sector is another demerit of mixed economy. They may suffer from heavy losses. People will have to bear these losses.

On account of capital scarcity, Government regulation and control, the growth of private sector may be less than what is fixed in plan. It may lead to unemployment and uncertainties in a mixed economy.

There is always a threat of nationalization in the mixed economic system because of which the private sector does not work actively.

3.6. STRUCTURE OF THE ECONOMIC SYSTEM

The structure of the economy includes the factors such as the contribution of different sectors that exist in the economy. There are three sectors that exist in every economy with different priorities according to availability of its natural resources.

Indian economy can be classified into various sectors on the basis of ownership, working conditions and the nature of the activities.
Primary Sector
In Primary sector of economy, activities are undertaken by directly using natural resources. Agriculture, mining, fishing, forestry and dairy are some examples of this sector. It is called as primary sector since most of the natural products are received from this sector.

Secondary Sector
It includes the industries where finished products are made from natural materials produced in the primary sector. Industrial production, cotton fabric, sugar cane production like activities come under this sector. Since this sector is associated with different kinds of industries, it is also called industrial sector.

Tertiary Sector/Service Sector
This sector’s activities help in the development of the primary and secondary sectors. By itself, economic activities in tertiary sector do not produce a goods but they are an aid or a support for the production. Transport, banking, insurance, finance like services come under this sector. It provides the value addition to a product same as secondary sector.

The natural economic movement of a country goes from agrarian economy to an industrial economy to a service economy but India has leapfrogged from an agrarian economy to a service economy. India’s success in software and IT-enabled services (ITeS) exports, has made it a significant services exporter with its share in world services exports rising from 0.6 per cent in 1990 to 3.3 per cent in 2013.

Quaternary Activities
These are specialized tertiary activities in the ‘Knowledge Sector’ which demands a separate classification. The quaternary sector is the intellectual aspect of the economy. It is the process which enables entrepreneurs to innovate and improve the quality of services offered in the economy. Personnel working in office buildings, elementary schools and university classrooms, hospitals and doctors’ offices, theatres, accounting and brokerage firms all belong to this category of services.

Quinary Activities
The quinary sector is the part of the economy where the top-level decisions are made. This includes the government which passes legislation. It also comprises the top decision-makers in industry, commerce and also the education sector. These are services that focus on the creation, re-arrangement and interpretation of new and existing ideas; data interpretation and the use and evaluation of new technologies. Profession under this category often referred as ‘gold collar’ professions, they represent another subdivision of the tertiary sector representing special and highly paid skills of senior business executives, government officials, research scientists, financial and legal consultants, etc.

Organised Sector
In this sector, employment terms are fixed and regular, and the employees get assured work and social security. Workers in the organised sector enjoy security of employment. They are expected to work only a fixed number of hours. If they work more, they have to be paid overtime by the employer.
3.7. சொற் மறைவு

மேற்கூறி சொற்றால் சொன்னது இல்லையால் சொன்னது இல்லையால். பின்னரும் சொருகொண்ட சொன்ன இல்லையால், மறுத்த சொற்றால் சொன்னது இல்லையால், சொரு இல்லையால் சொன்னது இல்லையால். பின்னரும் சொற்றால் சொன்னது இல்லையால், சொரு இல்லையால் சொன்னது இல்லையால். இது இல்லையால் சொன்னது இல்லையால். பின்னரும் சொற்றால் சொன்னது இல்லையால்.

சொற் மறைவு 2015 இல் சொன்று சொல்வதில் பிளவுசொல்வதில் இருந்தது. அரசு நேராக மேலும் மாற்றம் பெற்றது, என்பது உண்டாயென பொருள் என்பதை. அது ஸ்ரீ பிளவு வழிபாடு என்பதை. அது பிளவு சொல்வதில் மேலும் மாற்றம் பெற்றது. அது பிளவு சொல்வதில் மேலும் மாற்றம் பெற்றது.

துலோ நிர்ணயம் செய்து விளங்கியது சொல்வதில் மேலும் மாற்றம் பெற்றது. ஸ்ரீ என்பது மேலும் மாற்றம் பெற்றது.

ஜி.பி.சேராம விளங்கியது சொல்வதில் மேலும் மாற்றம் பெற்றது. ஸ்ரீ என்பது மேலும் மாற்றம் பெற்றது.

சொற் மறைவு

சொற் மறைவு நேரத்தில் கிளர்ச்சியாக இருப்பதில், இருவர் மேலும் மாற்றம் பெற்றதில் மேலும் மாற்றம் பெற்றது. சொறத்தின் சொற் மறைவு நேரத்தில் கிளர்ச்சியாக இருப்பதில், இருவர் மேலும் மாற்றம் பெற்றதில் மேலும் மாற்றம் பெற்றது.

சொற் மறைவு

சொற் மறைவு நேரத்தில் கிளர்ச்சியாக இருப்பதில், இருவர் மேலும் மாற்றம் பெற்றதில் மேலும் மாற்றம் பெற்றது. சொறத்தின் சொற் மறைவு நேரத்தில் கிளர்ச்சியாக இருப்பதில், இருவர் மேலும் மாற்றம் பெற்றதில் மேலும் மாற்றம் பெற்றது.
Unorganised Sector
An unorganised worker is a home-based worker or a self-employed worker or a wage worker. In this sector wage-paid labour is largely non-unionised due to casual and seasonal nature of employment and scattered location of enterprises. The sector is marked by low incomes, unstable and irregular employment, and lack of protection either from legislation or trade unions.

The Public Sector
In this sector, government owns most of the assets and it is the part of the economy concerned with providing various governmental services. The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it.

The Private Sector
In the private sector, ownership of assets and delivery of services is in the hands of private individuals or companies. Activities in the private sector are guided by the motive to earn profits.

3.7. ECONOMIC POLICIES

Each economy functions based on unique set of conditions and assumptions. The economic policy of government covers the systems for setting levels of taxation, government budgets, the money supply, interest rates as well as the labour market, asset ownership, and many other areas of government interventions into the economy. Most factors of economic policy can be divided into either fiscal policy, which deals with government actions regarding taxation and spending, or monetary policy, which deals with central banking actions regarding the currency supply and interest rates.

Economic policy refers to the actions that governments take in the economic field. It covers the systems for setting interest rates and government budget as well as the labour market, national ownership, and many other areas of government interventions into the economy. Economic system can be categorized into four main types: traditional economies, command economies, mixed economies, and market economies.

Policy is generally directed to achieve particular objectives like inflation targets, employment generation and economic growth. Other objectives like military spending or nationalization are also important. These are referred to as the policy goals: the outcomes, which the economic policy aims to achieve. To achieve these goals, governments use policy tools which are under the control of the government. These generally include the interest rate and money supply, tax and government spending, tariffs, exchange rates, labour market regulations, and many other aspects of government.

Every country should follow some economic policies to achieve their targets according to their goals. The major economic policies which are followed in India and has played a major role in the growth of Indian economy are discussed below.
PROJECT FOR ADVANCED LEARNERS...

Prepare a List of all the economic environment related news items for a given month and analyse how each change in economic environment is impacting a particular local business of your choice.
**Industrial Policy**

Industrial Policy is defined as the strategic effort by the state to encourage economic transformation, i.e. the shift from lower to higher productivity activities, between or within sectors. Specifically, industrial policy refers to “any type of selective government intervention or policy that attempts to alter the structure of production in favour of sectors [or activities] that are expected to offer better prospects for economic growth in a way that would not occur in the absence of such intervention in the market equilibrium”

The first Indian Industrial Policy based on the mixed economy principle was announced in 1948 which demarcated clearly the areas of operation of the public and private sectors. This policy was revised in 1956 which laid greater emphasis on the expanding role of the public sector. The Government of India announced liberalised Industrial Policy on July 24, 1991. Instead of state-sponsored development, the new policy put emphasis on market-led development.

**Trade Policy**

Trade policy defines standards, goals, rules and regulations that pertain to trade relations between countries. These policies are specific to each country and are formulated by its public officials. Their aim is to boost the nation’s international trade. A country’s trade policy includes taxes imposed on import and export, inspection regulations, and tariffs and quotas.

A trade policy generally focuses on the following specifications in terms of international trade:

- **Tariffs**: Every country has the right to impose taxes on imported and exported goods. Some nations levy heavy tariffs on imported goods to protect their local industries. High import taxes inflate the prices of imported goods in local markets, ensuring that local products are more sought after.

- **Trade barriers**: They are state-imposed restrictions on trading a particular product or with a specific nation. Some of the most common forms of trade barriers are tariffs, duties, subsidies, restrictions and allocations.

- **Safety**: This determinant ensures that only high-quality products are imported in the country. Public officials can lay down inspection regulations to ensure that the imported product conform to the set safety and quality standards.

**Monetary Policy**

Monetary policy or credit policy concerns itself with the cost (i.e., the rate of interest) and the availability of credit to affect the overall supply of money. The hallmark of the RBI’s monetary policy in the 1950s was that of controlled monetary expansion. To supplement the process of macro stabilisation and structural adjustment programmes launched in mid-1991, monetary policy has been redesigned. Market-oriented reforms (such as interest rate liberalisation, entry of private Indian and foreign banks,
development of alternative system of monetary controls, etc.), are being constantly made since monetary policy measures are continuous.

**Fiscal Policy**
Fiscal policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation’s economy. It is closely akin to monetary policy through which a central bank influences a nation’s money supply.

Fiscal policy is concerned with the policy of taxation, expenditure and borrowing. Fiscal policy as evolved over time has resulted in a tax structure with greater reliance on indirect taxation.

**Agriculture Policy**
Agricultural policy describes a set of laws relating to domestic agriculture and imports of foreign agricultural products. Governments usually implements agricultural policies with the goal of achieving a specific outcome in the domestic agricultural product markets.

Agricultural policy is concerned with the relations between agriculture, economics, and society. Agricultural policy of a country is mostly designed by the Government for raising agricultural production and productivity and also for raising the level of income and standard of living of farmers within a definite time frame. This policy is formulated for all round and comprehensive development of the agricultural sector.

**EXIM Policy**
Export Import Policy is also known as EXIM Policy is a set of guidelines and instructions related to the import and export of goods. Indian **EXIM Policy** contains various policy related decisions taken by the government in the sphere of Foreign Trade, i.e., with respect to imports and exports from the country and more especially **export promotion measures**, policies and procedures related thereto. Trade Policy is prepared and announced by the Central Government. In general, the policy aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payments position.

**KEY TERMS**

1. **Economic Environment**: All the external economic factors that influence buying habits of consumers and businesses and therefore affect the performance of a company.

2. **Inflation**: A general increase in prices and fall in the purchasing value of money.

3. **Government Budgets**: A government budget is a document prepared by the government presenting its anticipated revenues and proposed spending/expenditure for the upcoming financial year.
4. **Gross Domestic Product**: The total value of goods produced and services provided in a country during one year.

5. **Per Capita Income**: Per capita income (PCI) or total income measures the average income earned per person in a given area in a specified year. Per capita income is national income divided by population size.

6. **Capital Formation**: Capital formation is a term used to describe the net capital accumulation during an accounting period for a particular country. The term refers to additions of capital goods, such as equipment, tools, transportation assets, and electricity.

7. **Foreign Exchange Reserves**: Foreign Exchange reserves or Forex reserves are assets such as foreign currencies, gold reserves, treasury bills, etc. retained by a central bank or other monetary authority.

8. **Recession**: A period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.

9. **IMF**: The International Monetary Fund (IMF) is an organization of 190 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

10. **Capital Goods**: Capital goods are physical assets that a company uses in the production process to manufacture products and services that consumers will later use. Capital goods include buildings, machinery, equipment, vehicles, and tools. Capital goods are not finished goods, instead, they are used to make finished goods.

11. **Industrial Disputes**: “Industrial Disputes mean any dispute or difference between employers and employers or between employers and workmen or between workmen and workmen, which is connected with the employment or non-employment or terms of employment or with the conditions of labour of any person”.

12. **Entrepreneur**: An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards.

13. **Economic Stability**: Economic stability is the absence of excessive fluctuations in the macro economy. An economy with fairly constant output growth and low and stable inflation would be considered economically stable.

14. **Laissez-Faire**: The policy of leaving things to take their own course, without interfering. Less involvement of government in business activity.

15. **Tariffs**: A tax or duty to be paid on a particular class of imports or exports
TEST YOUR UNDERSTANDING

1. The economic environment in a country is dependent upon
   A. Nature of economic system present
   B. Economic policy and planning of the government
   C. Global economic environment
   D. All the above factors

2. ________ stresses the philosophy of individualism believing in private ownership.
   A. Capitalism.
   B. Socialism.
   C. Marxism.
   D. Developism.

3. In communism the ________________ determines one's employer and employment.
   A. State.
   B. Country.
   C. Business.
   D. People.

4. Which of the following is not a feature of capitalist system of economy
   A. Private ownership
   B. Free market
   C. Voluntary participation
   D. No competition

5. Which of the following is not an advantage of socialist pattern of economy
   A. Social political and economic equality
   B. Provision of basic needs
   C. Social welfare
   D. Availability of choice to the consumer

6. Both private and public sector are present in which of the following economic systems
   A. Capitalist economy
   B. Socialist economy
   C. Communist economy
   D. Mixed economy

7. Which of the following activities doesn't come under primary activity
   A. Mining
   B. Forestry
   C. Agriculture
   D. Teaching

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8. Quinary activities in a economy refer to
   A. Activities involving usage and extraction of natural resources
   B. Activities related to industrial production of goods
   C. Providing various services such as banking, teaching etc
   D. Top level decision making, research and innovation

9. Which of the following is a feature of organised sector
   A. Fixed working hours
   B. Security of employment
   C. Fixed wages
   D. All the above

10. The economic policy of a government doesn’t include
    A. Trade policy
    B. Fiscal policy
    C. Monetary policy
    D. Foreign policy

ANSWERS

INERACTIVE LINKS

https://egyankosh.ac.in/bitstream/123456789/12636/1/Unit-2.pdf
https://www.google.co.in/books/edition/Business_Environment/mGw8BAAQBAJ?hl=en&gbpv=1&dq=types+of+business+environment&printsec=frontcover
Economic Planning

Learning Outcomes:

After reading this chapter, the student should be able to:

1. understand the concept of Economic planning
2. examine the importance of planning in growth journey of a country.
3. Ascertain the role of NDC and Planning Commission of India
4. judge the efficacy of Five Year Plans in India
5. to examine critically objectives of NITI Aayog and Planning Commission
6. innovate new ideas for better economic prosperity.

Chapter Layout:

4.1. Economic Planning
   4.1.1. Features of Economic Planning
4.2. Planning Commission of India
4.3. National Development Council
   4.3.1. Objectives of National Development Council
   4.3.2. Functions of National Development Council
4.4. NITI Aayog
   4.4.1. Features of NITI Aayog
   4.4.2. Objectives of NITI Aayog
   4.4.3. Differences between NITI Aayog and Planning Commission
   4.4.4. NITI Aayog - Criticism
4.5. Five Year Plans in India
   4.5.1. Objectives of Economic Planning in India
   4.5.2. Overview of Five Year Plans
   4.5.3. Achievements in Indian Five Year Plans
   4.5.4. Criticism on Indian Five Year Plans
ఆధారం అభివృద్ధి

హీత భారుది దినం తమాయలు మాండానికి సమయం లేదా హీత ఆధారం ప్రదానం సమయంలో యిది విషయం యేసాగా ఉంది. అదనంతో మాంసాల భారమ్మ అధ్యాపకులు యయితే ప్రదర్శన సమయం కొనసాగాడు. అధ్యాపకుల మాసము వచ్చే పర్యాయం లో పిని పరిచయం నిర్ధారించాడు. అధ్యాపకుల పంటాను పరిమాణం అధ్యాపకుల పరిమాణం అధ్యాపకుల పరిమాణం అధ్యాపకుల పరిమాణం అధ్యాపకుల పరిమాణం అధ్యాపకుల పరిమాణం అధ్యాపకుల పరిమాణం 

ఆధారం ప్రారంభంలో సింగ్లేడికంలో సమయం మాంసాల ప్రదానం సమయం కొనసాగాడు. అధ్యాపకుల మాసము వచ్చే పర్యాయం యేసాగాడు. అధ్యాపకుల పంటాను పరిమాణం అధ్యాపకుల పరిమాణం అధ్యాపకుల పరిమాణం అధ్యాపకుల పరిమాణం అధ్యాపకుల పరిమాణం 

ఆధారం ప్రారంభంలో సింగ్లేడికంలో సమయం మాంసాల సమయం కొనసాగాడు.

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CHAPTER OVERVIEW

One of the important functions of every government is to plan the economy of a country and move forward in that direction. Such planning in fact influences the whole economy and businesses, thus being an important part of economic environment. Our country initially went for five-year plans by having specific objectives formulated with the help of bodies such as the planning commission and the national development council. Currently NITI Aayog took up the functions of planning commission.

The awareness of where and on what issue of economy the government’s focus lies on is very important to make business decisions. And for that purpose knowledge of bodies like national development, planning commission, NITI Aayog, their structure and functioning is essential.

The present chapter discusses these bodies in detail and also their objectives and criticism against them. A brief overview of five-year plans in India, their objectives and their achievements was also analyzed.
4.1. తినకాలం

4.1.1. తినకాలం

H.D. Dickinson అంశంలో “ఐదు తినకాలాలు మేలు మాత్రం అందించాలి. అంతే కాంతిలో కొనసాగటే సమయం వచ్చాయ తిప్పితం వచ్చేందుకు ద్వారంగా కలిగి ఉండాలి. నా ప్రపంచంలోని యొక్క ప్రభావం తిచే వస్తు నిపుణులను విషయంగా కలిగి ఉండాలి. అంతేకాక అవి ప్రచారం చేసే విషయం కలిగి ఉండాలి.”

ఇది అంశాల పైనే ఎంత సాధారణంగా నాశం వేసే అవశేషం. అంతేకాక తిస్తు ఎంత పరిమితంగా వచ్చింది జాతీయంగా ఉంటుంది. ప్రచారం స్థాయి సమయం కలిగి ఉండాలి. అంతేకాక ఆనందం ఉండాలి. అంతేకాక పరిమితంగా ఉంటుంది. అంతేకాక నిపుణుల ప్రచారం ఉంటుంది. ఆమె పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది. నిపుణులు పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది.

తితి పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది. అంతేకాక పరిమితం ఉంటుంది.
4.1. ECONOMIC PLANNING

Economic Planning is defined as conceiving, initiating, regulating and controlling economic activity by the state according to set priorities with a view to achieve well-defined objectives within a given time. Economic planning is a resource allocation mechanism based on a computational procedure for solving a constrained maximization problem with an iterative process for obtaining its solution. Planning is a mechanism for the allocation of resources between and within organizations in order to attain specific goals.

Different economists have defined economic planning in a variety of ways by keeping in mind the goals to be achieved and the techniques for achieving them. Apart from stating that planning is a method, a technique or a means to an end, the end being the realization of clearly set targets.

H.D. Dickinson defines “Economic Planning is the making of major economic decisions on what and how much is to be produced, how, when and where it is to be produced, and to whom it is to be allocated by the comprehensive survey of the economic system as whole”. The basic objective of planning is to exercise control over the private sector of an economy. Controls are exercised over economic resources which are scarce. When the economic resources of the country are rationally arranged with a predetermined purpose, it is called economic planning.

4.1.1. FEATURES OF ECONOMIC PLANNING

Economic Planning has been adopted in different parts of the world for various reasons. In socialistic countries, where there are state owned means of production, planning has become an institutional need. While in capitalistic countries where private ownership exists (Laissez faire), it is necessitated for the use of resources. In less developed countries or in developing countries, it is favored to overcome the bottlenecks and for bringing all-round development. After ‘world depression’, economic planning has become important in underdeveloped countries of the world. The most cherished features involved in a good economic planning are as under:

Definite Objective
The most significant feature of economic planning is that it should possess definite objectives. Planning means conscious and deliberate undertaking for a definite objective. For instance, economic planning has the objective to accelerate the rate of growth, elimination of trade cycles, bringing the stability and attain full employment in the economy.

Central Planning Authority
The existence of a central planning authority is another feature of economic planning. This central planning authority is responsible to prepare different schemes of development and coordinating the various activities. The central planning authority takes all decisions relating to production and consumption in an economy.

Democratic Character
Another important feature is its democratic nature. No doubt, various plans are prepared by experts
but at the same time, adequate opportunities are provided to the people to actively participate at various levels. Having federal structure of Indian Constitution, the Union Government only uses its fiscal, monetary and physical controls to guide and give direction in consequence with the Five Year Plans.

**Advisory Role of Planning Commission**
In the decentralized set up of planning, Planning Commission is the apex body. It provides the necessary perspective, guidance and coordination. Furthermore, it serves as a close link between different agencies so that functioning may be smooth. In this regard, Planning Commission is an advisory body.

**Comprehensiveness**
Another important characteristic of planning is its comprehensiveness in scope. As central planning authority takes all decisions regarding production, consumption and distribution, it must cover the entire economy which must be comprehensive in scope. In other words, planning must be effective so that the planning of one sector may not be nullified by the absence of planning in other sectors.

**Planning for Consumption**
In a centrally planned economy, it should not be confined to production alone but at the same time, it must cover the distribution and consumption also. In other words, the planning authority should not decide not only on what and how to produce but it must keep in mind and decide accordingly among whom it is to be distributed.

**Rational Allocation of Resources**
Generally, in under-developed countries, available resources are scarce and these resources are allocated in such a manner as to get maximum social welfare. It needs to fix up priorities relating to economic development. Thus, allocation of resources is in accordance to these fixed priorities.

**Feasible Policies and Targets**
A good planning is based on the initial resources of the country to achieve the feasible goals and policies. In this way, domestic resources are planned for attaining economic stability. Policies and targets are to be set at the beginning of the plan. At the end of the plan review will be initiated whether targets are achieved or not.

### 4.2. PLANNING COMMISSION OF INDIA

Planning Commission of India was an organization in the Government of India, which formulated India’s Five-Year Plans, among other functions. The Planning Commission was assigned with the task of formulating plans and allocating resources to efficiently exploit our resources in order to promote economic growth and achieve better standard of living for the people of our country.

The Planning Commission reported directly to the Prime Minister of India. It was established on 15 March 1950, with Prime Minister Jawaharlal Nehru as the Chairman. The Planning Commission did
not derive its creation from either the Constitution or Statute but was an arm of the Central/Union Government.

The Planning Commission was set up by a Resolution of the Government of India in March 1950. The prime objectives of the Government were to propel a rapid increase in the living standard of Indians by the productive exploitation of the country’s resources, raising production and securing opportunities for everyone for employment in the service of society. The Planning Commission was assigned the responsibility of assessing all the resources of the country, enhancing scarce resources, drafting plans for the most productive and balanced usage of resources and ascertaining priorities.

The Planning Commission, used to work under the overall guidance of the National Development Council. The Deputy Chairman and the full-time members of the Commission, as a composite body, provided advice and guidance to the subject divisions for the formulation of Five Year Plans, Annual Plans, State Plans and monitoring Plan Programmes, Projects and Schemes.

**Members of the Planning Commission**

- Chairman – Prime Minister; presided over the meetings of the Commission
- Deputy Chairman – de-facto Executive Head (full-time Functional Head);

  was responsible for the formulation and submission of the draft Five-Year Plan to the Central cabinet.

  was appointed by the Central cabinet for a fixed tenure and enjoyed the rank of a cabinet minister.

  could attend cabinet meetings without the right to vote.

  - Part-time members – Some Central Ministers
  - Ex-officio members – Central Finance Minister and Central Planning Minister

India had completed about seven decades (1951-2017) of planning. During the Plan Period it has achieved success in some directions and failed in other areas. So, India’s experience during the Plan Period presents a mixed picture.

In 2014, Narendra Modi government decided to wind up the Planning Commission. It was replaced with the newly formed NITI Aayog to better represent the present needs and aspirations of people of India.

### 4.3. NATIONAL DEVELOPMENT COUNCIL

The **National Development Council (NDC) or Rashtriya Vikas Parishad** is the apex body for decision creating and deliberations on development matters in India, presided over by the Prime Minister. It was set up on 6 August 1952 to strengthen and mobilize the effort and resources of the nation in support of the Five Year Plans made by Planning Commission. Its main aim is to promote common economic policies in all vital spheres, and to ensure the balanced and rapid development of
4.3. ರೇಖೆಯ ಆಧ್ಯಾತ್ಮಿಕ ಸ್ಮರಣ

ತನ್ನಿಂದ ರೇಖೆಯ ಆಧ್ಯಾತ್ಮಿಕ ಸ್ಮರಣ ನೂತನ ರೀತಿಯ ಅಥವಾ ಆದರೆ ಹಾಗೂ ಅತ್ಯಂತ ಧ್ಯಾನದ ಸಿಗ್ಗೆ ಇರುವಂತೆ. ಆದರೆ ಆದರೆ ರೇಖೆಯ ಆಧ್ಯಾತ್ಮಿಕ ಸ್ಮರಣ, ಎಲ್ಲಾ ಹೊರಗೆ ನೇರಾಯ್ತು ನೀಡುವಂತೆ. ಒಂದು ಹೆಸರು ಸ್ಮರಣದ ಮೇಲೆ ಇದು ಸ್ಮರಣದ ಮೇಲಿರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇರುವ ಸ್ಮರಣದ ಪ್ರಕಟಣೆಯೊಂದಿಗೆ ಇಲ್ಲಿ.
all parts of the country. The Council comprises the Prime Minister, the Union Cabinet Ministers, Chief Ministers of all States or their substitutes, representatives of the Union Territories.

NDC (National Development Council) has been proposed to be abolished. But till date no resolution has been passed to abolish it. Since the inception of NITI Aayog’s Governing Council (which has almost the same composition and roles as NDC) the NDChad neither been assigned any work nor it did not conduct any meetings. During the tenure of former Prime Ministers Atal Bihari Vajpayee and Manmohan Singh it was felt that Planning Commission has outlived its life and needs some reform. The existence of National Development Council was also on the same line as planning commission.

### 4.3.1. OBJECTIVES OF NATIONAL DEVELOPMENT COUNCIL
1. to strengthen and mobilize the effort and resources of the nation in support of the Plan;
2. to promote common economic policies in all vital spheres;
3. to ensure the balanced and rapid development of all parts of the country;
4. to provide social amenities like education, medical care, social services, etc. to the citizens of the country;
5. to improve the living standard of the people and
6. to increase the per capita income

### 4.3.2. FUNCTIONS OF THE NATIONAL DEVELOPMENT COUNCIL
1. to prescribe guidelines for the formulation of the National Plan, including the assessment of resources for the Plan;
2. to consider the National Plan as formulated by the NITI Aayog;
3. to make an assessment of the resources that are required for implementing the Plan and to suggest measures for augmenting them;
4. to consider important questions of social and economic policy affecting national development;
5. to review the working of the Plan from time to time and to recommend such measures as are necessary for achieving the aims and targets set out in the National Plan and
6. to recommend the measures for achievement of the aims and targets set out in the national Plan.
4.4. ˙‹ njÓ÷>¥

4.4.1. ˙‹ njÓ÷>¥

In this section (4.4) the authors discuss various aspects of the analysis. They mention that the data collected in the study was analyzed using the "bottom-up approach". This approach involves a step-by-step analysis, starting from the general to the specific, or from the macro to the micro level. The authors also mention that the data was analyzed using a "Top-Down" approach, which involves starting from the specific to the general, or from the micro to the macro level. The authors conclude that the top-down approach is more effective in analyzing the data.

Bottom-Up Approach:

- (1) Analysis of the data was conducted by first identifying the general trends and patterns in the data.
- (2) These general trends were then used to identify more specific patterns.
- (3) The specific patterns were further analyzed to identify the underlying causes.
- (4) The final analysis was conducted by synthesizing all the findings and drawing conclusions.

Top-Down Approach:

- (1) The data was analyzed by first identifying the specific patterns and causes.
- (2) These specific patterns were then connected to identify the broader trends.
- (3) The broader trends were then analyzed to identify the underlying causes.
- (4) The final analysis was conducted by synthesizing all the findings and drawing conclusions.

2015 NDA
4.4. NITI AAYOG

The **NITI Aayog (National Institution for Transforming India)** is considered to be think tank of the Government of India, established with the aim to achieve sustainable development goals with cooperative federalism by fostering the involvement of State Governments of India in the economic policy-making process using a bottom-up approach. Its initiatives include “15-year road map”, “7-year vision, strategy, and action plan”,

Governance – which is people-centric, participative, collaborative, transparent and policy-driven is an important objective of NITI Aayog. It will provide critical directional and strategic input to the development process, focusing on deliverables and outcomes. This, along with being as incubator and disseminator of fresh thought and ideas for development, will be the core mission of NITI Aayog. NITI Aayog is developing itself as a State-of-the-art Resource Centre, with the necessary resources, knowledge and skills, that will enable it to act with speed, promote research and innovation, provide strategic policy vision for the government, and deal with contingent issues. It was established in 2015, by the NDA government, to replace the Planning Commission which followed a top-down model.

**Chairperson** : Prime Minister of India  
**Governing Council** : It comprises of the Chief Ministers of all States and Lieutenant Governors of Union Territories.  
**Regional Councils** : They are formed to address specific issues and contingencies impacting more than one state or region.

### Organizational Framework

- **Vice-Chairperson** : to be appointed by the Prime Minister.  
- **Members: full-time** : specialists with international exposure.  
- **Part-time Members** : maximum of 2, from leading Universities, research organizations and other relevant institutions in an ex-officio capacity. Part-time members will be on a rotational basis.  
- **Ex-Officio Members** : maximum of 4 members of the Union Council of Ministers to be nominated by the Prime Minister.  
- **Chief Executive Officer** : to be appointed by the Prime Minister for a fixed tenure, in the rank of Secretary to the Government of India.  
- **Secretariat** : as deemed if necessary.

### 4.4.1. FEATURES OF NITI AAYOG

- the National institution for Transforming India will act as a catalyst for the development by a holistic approach;
4.4.2. 4th Avenue: Capacity Building

1. Capacity Building

2. Capacity Building

3. Capacity Building

4. Capacity Building

5. Capacity Building

6. Capacity Building

7. Capacity Building

8. Capacity Building

9. Capacity Building

10. Capacity Building

Fig. 4.1
NITI Aayog is based on the 7 pillars of effective governance
(1) Pro-People
(2) Pro-Activity
(3) Participation
(4) Empowering
(5) Inclusion of all
(6) Equality
(7) Transparency.

in NITI Aayog, the state governments has an equal role in nation’s development process and
NITI Aayog promises the principle of co-operative federalism;

NITI Aayog is planned as a think tank institution which stands not only as a hub for knowledge
but also for good governance;

it’s a platform for monitoring and implementation of all government policies by bringing together
various Ministries at the centre and state level;

priorities include upliftment of the poor, marginalized and downtrodden and

empowering vulnerable and marginalized sections, redressing identity-based inequalities of
all kinds – gender, region, religion, caste or class.

4.4.2.OBJECTIVES OF NITI AAYOG
fostering Cooperative Federalism and active involvement of states;
formulation of plans at Village - level, aggregation at higher levels;
special attention to sections at risk of not benefitting adequately from economic progress;
economic policy that incorporates National security interests;
feedback for constant Innovative Improvements;
partnerships with National and International Think Tanks;
creating Knowledge, Innovation and Entrepreneurial support system;
platform for Resolution of Inter-Sectoral and Inter-departmental issues;
state of the Art resources center for Research on good governance and
focus on Technology upgradation and Capacity Building.
### 4.4.3. न्यूनतम सर्वेक्षण शुल्क (सेट) का लाभ किस प्रकार

<table>
<thead>
<tr>
<th>न्यूनतम सर्वेक्षण शुल्क</th>
<th>लाभवाणी का प्रकार</th>
</tr>
</thead>
<tbody>
<tr>
<td>न्यूनतम सर्वेक्षण शुल्क</td>
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<td>लाभवाणी का प्रकार</td>
</tr>
</tbody>
</table>

### 4.4.4. न्यूनतम सर्वेक्षण का महत्त्व

न्यूनतम सर्वेक्षण शुल्क का महत्त्व उन्हें देखने के लिए आवश्यक है। इस्तेमाल करने वाले सर्वेक्षण के लिए उन्हें सीलिंक में उपलब्ध होना चाहिए। उन्हें सीलिंक में उपलब्ध होना चाहिए।

हिंदी वाले अनुदानीय अधिकार में न्यूनतम सर्वेक्षण का महत्त्व उन्हें देखने के लिए आवश्यक है। इस्तेमाल करने वाले सर्वेक्षण के लिए उन्हें सीलिंक में उपलब्ध होना चाहिए।
4.4.3. DIFFERENCE BETWEEN NITI AAYOG AND PLANNING COMMISSION

<table>
<thead>
<tr>
<th>Component</th>
<th>Planning Commission</th>
<th>NITI Aayog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization</td>
<td>Had deputy Chairperson. A member secretary. Full-time members. Secretaries or member secretaries were appointed on usual process.</td>
<td>New posts of CEO with secretary rank, Vice-Chairperson. Five full-time members. Two part-time members. Four cabinet ministers as ex-officio members. CEO is appointed by Prime Minister.</td>
</tr>
<tr>
<td>Planning</td>
<td>Based on top-down planning for government with public sector resources.</td>
<td>Formulates plans based on bottom-up approach right from village level and integrates plans at higher level.</td>
</tr>
<tr>
<td>Relation With States</td>
<td>A central government institution. No representation of states. No structural mechanism for interaction with states.</td>
<td>Provides a partnership with states. Promote co-operative federalism. Provides a platform for structured and regular interaction with states.</td>
</tr>
<tr>
<td>Finance</td>
<td>Role of Finance Commission was greatly reduced. Allocation of funds were decided by the Planning Commission.</td>
<td>Does not have any role in fund allocation. Finance commission decides the share of taxes to States.</td>
</tr>
<tr>
<td>Constitution and Reporting</td>
<td>The commission reported to National Development Council that had State Chief Ministers and Lieutenant Governors.</td>
<td>Governing Council has State Chief Ministers and Lieutenant governors.</td>
</tr>
</tbody>
</table>

4.4.4. NITIAAYOG-CRITICISM

- Like planning commission, it’s also a non-constitutional body which is not responsible to parliament.

- Dismantling planning commission without consulting the states was seen as against the spirit of federalism and democracy.

- UTs are represented by Lieutenant Governors, not by Chief Ministers. This is against the principles of federalism.

- Fund allocation to welfare schemes may get affected. For example, there is a 20 Percent reduction in gender budgeting.
4.5. ರೈತನ್ನು ಸೂಕ್ಷ್ಮಸೂಕ್ಷ್ಮ ಉಪವಿಭಾಗ

ರೈತನ್ನುವೇಳೆರಡು ವತ್ತಿಗಳ ಪ್ರಾಂತ್ಯ ಇರುತ್ತಾದ ಆರೋಗ್ಯದ ಪ್ರತಿಯೊಂದು ವಿಭಾಗವನ್ನು ಸೂಕ್ಷ್ಮಸೂಕ್ಷ್ಮವಾಗಿ ವಿವರಿಸುತ್ತಾದರೆ, ಇದು ಮತ್ತೊಂದು ದೃಷ್ಟಿಕಳು ಇರುತ್ತದೆ. ರೈತನ್ನು ಸೂಕ್ಷ್ಮ ವಿಭಾಗಗಳ ಪರಿಸರದಲ್ಲಿ ಯಾವಾಗಾಗಿ ಅಧಿಪತ್ಯವನ್ನು ಸಂಸ್ಥಾಪಿಸಬಹುದು. 1950 ರಿಂದ 1951ರವರೆಗೆ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು. 1951 ರಿಂದ 2017ರವರೆಗೆ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು. 1951 ರಿಂದ 2017ರವರೆಗೆ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.

1951 ರಿಂದ 2017ರವರೆಗೆ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು. 1950 ರಿಂದ 1951ರವರೆಗೆ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು. 1951ರಿಂದ 2017ರವರೆಗೆ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು. 1951 ರಿಂದ 2017ರವರೆಗೆ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.

4.5.1. ರೈತನ್ನು ಸೂಕ್ಷ್ಮಸೂಕ್ಷ್ಮ ಉಪವಿಭಾಗ

1. ರೈತನ್ನು ಸೂಕ್ಷ್ಮ ವಿಭಾಗಗಳ ಪ್ರತಿ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.
2. ರೈತನ್ನು ಸೂಕ್ಷ್ಮ ವಿಭಾಗಗಳ ಪ್ರತಿ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.
3. ರೈತನ್ನು ಸೂಕ್ಷ್ಮ ವಿಭಾಗಗಳ ಪ್ರತಿ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.
4. ರೈತನ್ನು ಸೂಕ್ಷ್ಮ ವಿಭಾಗಗಳ ಪ್ರತಿ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.
5. ರೈತನ್ನು ಸೂಕ್ಷ್ಮ ವಿಭಾಗಗಳ ಪ್ರತಿ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.
6. ರೈತನ್ನು ಸೂಕ್ಷ್ಮ ವಿಭಾಗಗಳ ಪ್ರತಿ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.
7. ರೈತನ್ನು ಸೂಕ್ಷ್ಮ ವಿಭಾಗಗಳ ಪ್ರತಿ ರೈತನ್ನು ಸೂಕ್ಷ್ಮವಾಗಿ ಭವಿಷ್ಯದಲ್ಲಿ ವಿಲ್ಲಿಸಲು ಮಾಡಲೇಬೇಕು.
NITI Aayog functions in close cooperation, consultation and coordination with the Ministries of the Central Government and State governments. While it makes recommendations to the Central and State Governments, the responsibility for taking and implementing decisions rest with them.

### 4.5. FIVE YEAR PLANS IN INDIA

The term economic planning is used to describe the long term plans of the government of India to develop and coordinate the economy with efficient utilization of resources. Economic planning in India started after independence in the year 1950 when it was deemed necessary for economic growth and development of the nation.

From 1951 to 2017, the Indian economy was premised on the concept of planning. This was carried through the **Five-Year Plans**, developed, executed, and monitored by the Planning Commission (1951-2014) and the NITI Aayog (2015-2017). The Twelfth Plan term was completed by March 2017.

Planning Commission was set up on 15 March 1950 and the plan era started from 1 April 1951 with the launching of the First Five Year Plan (1951-56). The new government led by Narendra Modi has announced the dissolution of the Planning Commission, and its replacement by a think tank called the NITI Aayog i.e. National Institution for Transforming India.

The first Indian Prime Minister, Jawaharlal Nehru, presented the First Five-Year Plan to the Parliament of India and needed urgent attention. The First Five-year Plan was launched in 1951 which mainly focused in the development of the primary sector. The first eight five-year plans in India emphasized on growing the public sector with huge investments in heavy and basic industries, but since the launch of Ninth five year plan in 1997, attention has shifted towards making government a growth facilitator.

#### 4.5.1. OBJECTIVES OF ECONOMIC PLANNING IN INDIA

- Economic Development in terms of increase in Gross Domestic Product (GDP) and Per Capita Income.
- Increased Levels of Employment and better utilization of the available human resources of the country.
- Self-sufficiency in major commodities and also increase exports through economic planning.
- Economic Stability in addition to the economic growth of India. This means keeping inflation low and also making sure that deflation in prices does not happen.
- Aim to increase labour welfare, social welfare for all sections of the society. Development of social services in India, such as education, healthcare and emergency services.
- Regional Development.
- Comprehensive and Sustainable Development such as development of agriculture, industry, and other services sectors.
8. During this period, under the leadership of Dr. Pratap Chandra Mahalanobis, the concept of economic growth was formulated by the Harrod-Domar model. The growth rate was calculated using the formula: \( g = \frac{K}{(1 - \delta)} \) where \( K \) is the capital formation and \( \delta \) is the rate of depreciation. The growth rate was estimated to be 5.6%.

9. Post-Independence, the government of India initiated several economic planning schemes under the leadership of P.C. Mahalanobis and his colleagues. These schemes included the Harrod-Domar model and the Mahalanobis model. The growth rate was estimated to be 4.1%.

10. These schemes were followed by the Gadgil Yojna and the Garibi Hatao Yojna, which aimed to reduce poverty and increase economic growth. The growth rate was estimated to be 2.8%.

4.5.2. Economic Growth in India

First Planning Period - 1951 - 1956
- The Harrod-Domar model was used to estimate the growth rate. The growth rate was estimated to be 2.1%.
- The growth rate was estimated to be 3.6%.

Second Planning Period - 1956 - 1961
- P.C. Mahalanobis developed a new model to estimate the growth rate. The growth rate was estimated to be 4.5%.
- The growth rate was estimated to be 4.1%.

Third Planning Period - 1961 - 1966
- The Gadgil Yojna was implemented to reduce poverty. The growth rate was estimated to be 5.6%.
- The growth rate was estimated to be 4.1%.

Fourth Planning Period - 1966 - 1969
- The economic growth rate was revised to 2.8%.

Fifth Planning Period - 1969 - 1974
- The economic growth rate was revised to 2.8%.

Furthermore, the Harrod-Domar model was further refined to include various factors affecting economic growth.
- Reduction in Economic inequality through progressive taxation, employment generation and reservation of jobs.
- Social Justice has been a central focus of planning in India. It aimed at reducing the population living below the poverty line and provide them access to employment and social services.
- Improving the standard of living by increasing the per capita income and equal distribution of income.

4.5.2. OVERVIEW OF FIVE YEAR PLANS

First Five Year Plan - 1951 to 1956
- It was based on the Harrod-Domar model.
- Its main focus was on the agricultural development of the country and
- Balanced economic development
- Targeted Growth Rate was 2.1 percent
- This plan was successful and achieved growth rate of 3.6 percent
- National income increased by 18 percent and per capita income increased by 11 percent.

Second Five Year Plan -1956 to 1961
- It was based on the P.C. Mahalanobis Model.
- Its main focus was on the industrial development of the country and
- Transport and communication development
- Durgapur, Bhilai, and Rourkela steel plants were established in this plan.
- Targeted Growth Rate was 4.5 percent
- This plan was successful and achieved growth rate of 4.1 percent

Third Five Year Plan - 1961 to 1966.
- This plan is called ‘Gadgil Yojna’ also.
- The main target of this plan was Both agricultural & industrial development and
- Establishment of a self-sufficient & self-reliant economy
- Due to Indo-China war and Indo Pak war, this plan could not achieve the targets.
- Targeted Growth Rate was 5.6 percent
- Actual Growth Rate achieved was 2.8 percent

- The main reason behind the plan holiday was the Indo-Pakistan war & failure of third plan.
- Three annual plans was designed in the years 1966-67, 1967-68 and 1968-69
- Equal priority was given to agricultural & related activities

Fourth Five Year Plan - 1969 to 1974
- There were two main objective of this plan i.e. growth with stability and Progress towards achieving a self-reliant economy
పత్ర రా ప్రభుత్వం భాగం వేసింది: 5.7%

మ్యూజియం అధిక భాగం భాగంలో సగం హిస్టేరి. హిస్టేరి భాగం వేసింది: 3.3% పరిస్తితి

లాంటి సమాచారం కరంటు మధ్యమ - 1974 - 1979

సాధారణ లాంటి సమాచారం లేదా దిగుమతి ప్రామాణిక ఆరోగ్యం మాత్రమే అందించింది

ఎ పిడి దారిపి డీప్ దారిపి ఒక వ్యాపారం విభాగం ఇంటితో ఉంది

ఎ పిడి దారిపి 1978 సంవత్సరాలు ఐంటితో ఉంది

పత్ర రా ప్రభుత్వం భాగం వేసింది: 4.4%

హిస్టేరి భాగం వేసింది: 4.8%

సమాచారం కరంటు మధ్యమ నుండి 1978-79

ఇది కమాన్టిపరికే కమాన్టి కమాన్టి ప్రశ్నలు తుంగం సమాచారం మధ్యమానికి 1978-79 తీసుకుంది

పరిస్తితి సమాచారం కరంటు మధ్యమ నుండి 1980 - 1985

ఇది లాంటి సమాచారం నుండి, అధిక భాగం కరంటు మధ్యమానికి ఉంది

మామిడి కమాన్టి కమాన్టి కమాన్టి కమాన్టి ప్రశ్నలు తుంగం సమాచారం మధ్యమానికి

పరిస్తితి సమాచారం కరంటు మధ్యమ నుండి 1985 - 1990

ఇది లాంటి సమాచారం నుండి, అధిక భాగం కరంటు మధ్యమానికి ఉంది

మామిడి కమాన్టి కమాన్టి కమాన్టి ప్రశ్నలు తుంగం సమాచారం మధ్యమానికి

పరిస్తితి సమాచారం నుండి 1990-91 నుండి 1991-92

ఇది లాంటి సమాచారం నుండి, అధిక భాగం కరంటు మధ్యమానికి ఉంది

మామిడి కమాన్టి ప్రశ్నలు తుంగం సమాచారం మధ్యమానికి ఉంది

పరిస్తితి సమాచారం నుండి 1992 - 1997

మామిడి కమాన్టి ప్రశ్నలు తుంగం సమాచారం మధ్యమానికి ఉంది
During this plan the slogan of “Garibi Hatao” is given by Indira Gandhi.
Targeted Growth Rate was 5.7 percent
This plan failed and could achieve growth rate of 3.3 percent only

**Fifth Five Year Plan - 1974 to 1979**
- In this plan top priority was given to Reduction of poverty, Attainment of self-reliance, better distribution of income.
- The draft of this plan was prepared and launched by the D.P. Dhar.
- This plan was terminated in 1978.
- Targeted Growth Rate was 4.4 percent
- Achieved Growth Rate of 4.8 percent

**Rolling Plan - 1978-79**
- This plan was started with an annual plan for 1978-79 and as a continuation of the terminated fifth year plan.
- Every year the plan would be assessed according to the performance of the previous plan and a new plan was laid out accordingly

**Sixth Five Year Plan - 1980 to 1985**
- The basic objective of this plan was poverty eradication and technological self reliance.
- It was based on investment in social services, infrastructural development and employment generation programmes.
- Targeted Growth Rate was 5.2 percent
- Achieved Growth Rate of 5.4 percent

**Seventh Five Year Plan - 1985 to 1990**
- Objectives of this plan include the establishment of the self sufficient economy, opportunities for productive employment.
- Rapid growth in food grain production
- For the first time, the private sector got the priority over public sector.
- Its growth target was 5.0 percent
- Achieved Growth Rate of 6.01 percent

**Annual Plans -1990-91 & 1991-92.**
- Eighth Five Year Plan could not take place due to political instability.
- Two annual programmes were formed in 1990-91 & 1991-92.
- The New Economic Reforms, including the LPG reforms were undertaken in 1991.

**Eighth Five Year Plan - 1992 to 1997**
- In this plan- the top priority was given to development of the human resources i.e. employment, education, and public health.
- During this plan- government launched New Economic Policy of India.
4.5.3. గతానికి మందియుగానికి విధానాలు

మనము మందియుగా ప్రపంచంలో సాధారణంగా మనం శాసనవంతం సాధారణాధికారం ఆధారంగా ఉంచాయి. లతాయింగ్ రకములలో అందువల్ల ఇద్దరు విధానం లేదు. మనం మందియుగంలో విభాగం రేటించవలేకుండా ప్రపంచంలో శాసన ప్రమాణం కాలం అధికారం ఆధారంగా ఉంచాయి. ఈ విధానాలను ఎంపెమ్మేయాలి కాబట్టి మనం డాక్టర్ చిత్రం నుండి ప్రపంచంలో ఉంచాయి. ఈ విశ్వాసాలు మనం మందియుగంలో ప్రతి విధానం పూర్వకాల ఇష్టాంత గాని ఉంచాయి. ఈ విధానాల మీద ప్రతి సాధనాలు ప్రత్యేకంగా ఉంచాయి.
This plan was successful
The Prime Minister’s Rozgar Yojana was launched in 1993
Targeted Growth Rate was 5.6 percent.
Achieved Growth Rate of 6.78 percent.

Nine Five Year Plan- 1997 to 2002
The main focus of this plan was “growth with justice and equity”.
Improvement in quality of life, self-reliance and generation of employment
The recession of the global economy was the reason for the failure of this plan.
Targeted Growth Rate was 6.5 percent.
Achieved Growth Rate of 5.4 percent.

Ten Five Year Plan-2002 to 2007
This plan aimed at doubling the per capita income of India in the next 10 years.
Eradicate poverty & unemployment.
It aimed at reducing the poverty ratio of 15 percent by 2012.
Targeted Growth Rate was 8.1 percent.
Achieved Growth Rate of 7.76 percent.

Eleven Five Year Plan-2007 to 2012
It was prepared by the C. Rangarajan.
Its main theme was “faster and more inclusive growth”
To increase the literacy rate to 85 percent.
Targeted Growth Rate was 8.6 percent.
Achieved Growth Rate of 7.9 percent.

Twelve Five Year Plan-2012 to 2017
Its main theme was “Faster, More Inclusive and Sustainable Growth”.
Its growth rate target is 8 percent.
Achieved Growth Rate of 6.7.

4.5.3. ACHIEVEMENTS IN INDIAN FIVE YEAR PLANS

The main objective of Economic planning in India was to bring rapid economic development in all sectors. At the beginning of the first Five Year Plan, India was in underdeveloped stage. By adopting the Five Year Plans, India had achieved robust changes in various sectors.

Growth in National Income and Per Capita Income
One of the major objectives of the planning in India was rapid growth in national income and per capita income. At the time of first Five Year Plan, the national income was Rs. 1.32 lakhs crores which raised to 47.67 lakhs crores in 11th plan period. But, the growth of per capita income was little
110
bit low due to high growth rate of population. Even then, the per capita income during the period of first Five Year Plan was Rs. 3687.00 has raised up to Rs. 1,28,967.00 by the end of 2020-21.

**Agriculture Development**
From the beginning of the Five Year Plans, India has set goals for development in agricultural production. Expenditure in agriculture sector on an average 24 per cent of the entire plan period resulted the growth of agricultural production from 50.8 million tons in 1950-51 to 264 million tons in the year 2014. It is a significant achievement.

**Industrial Development**
As the industrial development was the main objective of the second Five Year Plan and subsequent plans, the allocations helped the development of industrial sector in India. The major industrial goods accounted highest growth rate. The coal production was 32 million tons in 1950-51 raised up to 583 million tons in 2011-12. Iron production which was 3 million tons in 1950-51 raised to 167 million tons in 2011-12. It is an increase by 56 times.

**Development in Basic needs**
Major achievements in transport services were observed. As on 1950-51, the railway network is 54000 K.M which raised up to 64000 KM. More growth is witnessed in road transport as well, as national highway network expanded from 60000 KM in 1950-51 to 160000 KM in 2012. Electricity generation of 5 billion kilowatts in Five Year Plan raised up to 911.65 million kilowatts in 2012-13. It was the maximum capacity achieved.

**Development in Education System**
At the end of the plan era, India was the second largest country in development of education. As per the statistics 2012, the up to 96.5 percent rural students between the age group 6-14 were registered in schools. In higher education, about 34 lakhs students had registered in 1984-85 and this student strength increased to 146.25 lakhs in 2009-10. There was an average annual growth rate of 6.01 percent noted in Indian higher education system.

**Development in Health services**
A significant growth in development of health services in the plan period was found, owing to huge allocation of funds to health education sector and health services in the overall plan period in India. The growth in medical colleges and hospitals were significant. There was a significant fall in infant mortality.

FOR ADVANCED LEARNERS…
- Visit NITI Aayogs website. Observe the Objectives and features of NITI Aayog.
- Study the recent policy decisions made by NITI Aayog.
- Analyse the Success of NITI Aayog with respect to economic planning of India.
- Do a comparative study of economic planning in various countries with that of India by browsing through internet.
KEY TERMS

1. **Depression**: a long and severe recession in an economy or market. It is a steep and sustained drop-in economic activity featuring high unemployment and negative GDP growth.

2. **Decentralization**: transfer of authority and responsibility from center to subordinate or quasi-independent organizations.

3. **Ex-Officio Members**: An ex officio member is a member of a body (notably a board, committee, council) who is part of it by virtue of holding another office.

4. **Cooperative Federalism**: A flexible relationship between the federal and state governments in which both work together on a variety of issues and programs.

5. **Deflation**: Deflation is when consumer and asset prices decrease over time, and purchasing power increases.
deaths and epidemic diseases. Also, there were many programmes that were implemented for kids and women welfare.

**4.5.4. CRITICISM ON INDIAN FIVE YEAR PLANS**

- For a long time, there had been a feeling that for a country as diverse and big as India, centralized planning could not work beyond a point due to its one-size-fits-all approach.

- Moreover, since the Planning Commission used to be controlled by the Central government, it often ended up as a tool to punish states ruled by the opposition parties when it came to allocating funds.

- Due to the top-to-bottom approach in centralized planning, it was felt that the states needed to have greater say in planning their expenditure.

- The Planning Commission was seen to be imposing its diktats on states who could have better known what and how much they needed.

- The growth rate achieved during the first few five-year plans was very low and was mocked as Hindu rate of growth.

- Plans failed to accommodate contingencies such as wars and famines, which resulted in falling short of objectives.

**KEY TERMS**

6. **Public Sector**: The public sector consists of governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programs, goods, or services.

7. **Exploitation**: The action or fact of treating someone unfairly in order to benefit from their work. Exploitation is the act of selfishly taking advantage of someone or a group of people in order to profit from them or otherwise benefit oneself.

8. **Sustainable Development**: Sustainable development can be defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

9. **Bottom-Up Approach**: A participative approach to planning in which there is involvement at all levels. In this approach plans are developed at the lower levels of an organization and funneled up through consecutive levels until they reach top management.

10. **Self-Reliant Economy**: A self-reliant economy is when a country is completely independent, produces its own goods, and does not import goods or services.

11. **LPG**: The Economic reforms which changed the path of the economy that the country witnessed in later years was the LPG reforms (Liberalization, Privatization, Globalization).
12. **Inclusive Growth:** Inclusive growth means economic growth that creates employment opportunities and helps in reducing poverty. It means having access to essential services in health and education by the poor. It includes providing equality of opportunity, empowering people through education and skill development.

13. **Sustainable Growth:** Sustainable economic growth means a rate of growth which can be maintained without creating other significant economic problems, especially for future generations.

**TEST YOUR UNDERSTANDING**

1. Which of the Following is not an objective of Indian Planning?
   A. Economic development and increased standard of living
   B. Self sufficiency and economic stability
   C. Increased employment and labour Welfare
   D. International peace and foreign relations

2. Which of the following bodies is responsible for formulation and submission of Five year plans to the Cabinet?
   A. NITI Aayog
   B. National Development Council
   C. Finance ministry
   D. National Planning Commission

3. Who is the chairman of NITI Aayog
   A. President of India
   B. Vice- President of India
   C. Prime Minister of India
   D. Central Finance Minister

4. Who among the following is part of Governing Council of the NITI Aayog
   A. Chief Ministers of all states
   B. Chief Ministers of Delhi and Puducherry
   C. Lieutenant governor of Andaman and Nicobar Island
   D. All the above

5. Which of the following statements is false with respect to Functioning of NITI Aayog
   A. NITI Aayog can allocate Funds
   B. NITI Aayog Promotes Co-operative Federalism
   C. CEO is appointed by the prime minister
   D. NITI Aayog follows Bottom Up model of planning
6. The slogan GARIBI HATAO was made popular during which Five year plan
   A. Fourth five year plan
   B. Fifth five year plan
   C. Sixth five year plan
   D. Rolling plans

7. Pradhan Mantri Rozgar Yojna was launched during which Five year Plan
   A. Seventh five year plan
   B. Fifth five year plan
   C. Sixth five year plan
   D. Eighth five year plan

8. The objective of Twelfth five year plan is
   A. Sustainable growth
   B. Faster and more inclusive growth
   C. Growth with justice and equity
   D. Reduction of poverty and unemployment

9. From which plan onwards private sector is given more priority over public sector
   A. Seventh five year plan
   B. Fifth five year plan
   C. Sixth five year plan
   D. Eighth five year plan

10. The objective of Eleventh five year plan is
    A. Sustainable growth
    B. Faster and more inclusive growth
    C. Growth with justice and equity
    D. Reduction of poverty and unemployment

**ANSWERS**

**INERACTIVE LINKS**

www.niti.gov.in

Learning Outcomes:

After reading this chapter, the student should be able to:

1. understand the need of economic reforms in India;
2. analyze the reasons for economic reforms adopted in India;
3. describe the components in Industrial Policies;
4. examine the basic ideology of different industrial policies adopted by the government and
5. judge the importance of economic reforms in growth and development of economy.

Chapter 5

5.1. Economic Reforms in India
   5.1.1. India before 1991
   5.1.3. Impact of Economic Reforms on Indian Economy

5.2. Industrial Policies
   5.2.1. Industrial Policy 1948
   5.2.2. Industrial Policy 1956
   5.2.3. Industrial Policy 1977
   5.2.4. Industrial Policy 1980
   5.2.5. Industrial Policy 1991
1991 అక్టోబరు మాసంలో విద్యులదాని విధానం రెండు కాలం పిలుచుకుందాం. ఏప్రిల్ అడవి విధానం మేమని బ్యాకు విధానం చేసుకున్నాం. ప్రతి పంచాయిత్య మేమని మేల్సిన విధానం చేసుకున్నాం.

1991 అడవి విధానం చేసుకోవడానికి పంచాయిత్య విధానం చేయడానికి చాలా పాలకుడు విధానం చేయడానికి చాలా పాలకుడు విధానం చేయడానికి చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని చాలా పాలకుడు విధానం చేయడాని}

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Indian economy went through a great transformation due to economic reforms of 1991. All spheres of business environment i.e. social, political, global and economic environment changed after 1991 due to liberalisation, privatisation and globalisation that were brought forward. Similarly, the way how industries function is highly dependent on industrial policy of the government which changes from time to time. Both LPG reforms and industrial policies are an important subject matter to the study of business environment.

The present chapter gives an idea of India before 1991 and what changes were brought due to LPG reforms and how it affected the Indian business environment. The industrial policies and their important features from time to time were also studied.
5.1. கன்னீசு நாட்டின் தொழிலணியின் வளர்ச்சி

கன்னீசு நாட்டின் தொழில்நுட்பம் மற்றும் மரபுத்தொழில்களின் வளர்ச்சி கன்னீசு நாட்டின் வளர்ச்சியில் பிரபலமாக உள்ளது. இதன் அடிப்படையில் தொழில்நுட்பம் மற்றும் மரபுத்தொழில்கள் வளர்ந்துள்ளது. தொழில்நுட்ப மற்றும் மரபுத்தொழில்கள் வளர்ந்துள்ளது கன்னீசு நாட்டின் வளர்ச்சியில் பிரபலமாக உள்ளது. இதன் அடிப்படையில் தொழில்நுட்பம் மற்றும் மரபுத்தொழில்கள் வளர்ந்துள்ளது.

அத்துடைய வல்லவகைத் தொழில்நுட்பம்:

கன்னீசு நாட்டின் தொழில்நுட்பம் வளர்ச்சியில் பிரபலமாக உள்ளது. 1991 இல் கன்னீசு நாட்டின் தொழில்நுட்பம் வளர்ச்சியில் பிரபலமாக உள்ளது. கன்னீசு நாட்டின் தொழில்நுட்பம் வளர்ச்சியில் பிரபலமாக உள்ளது. இதன் அடிப்படையில் தொழில்நுட்பம் மற்றும் மரபுத்தொழில்கள் வளர்ந்துள்ளது. 1991 இல் கன்னீசு நாட்டின் தொழில்நுட்பம் வளர்ச்சியில் பிரபலமாக உள்ளது. 120
5.1. ECONOMIC REFORMS IN INDIA

The term economic reform broadly indicates necessary structural changes that were brought in the internal and external spheres of an economy. It includes policies meant for the economic growth of a country and achieving economic efficiency. Economic reforms can be achieved through various methods like reforming the existing tax laws, competition policy, de-regulation of market, reforming government pending pattern etc. In India, Economic reforms refer to the fundamental changes that were launched in 1991 with the plan of liberalizing the economy and increasing the rate of economic growth. Government of India started economic reforms in 1991 in order to rebuild internal and external conditions in the Indian economy. The reforms were intended at bringing in larger cooperation of the private sector in the growth journey of the Indian economy. Policy changes were proposed with regard to technology up-gradation, industrial licensing, removal of restrictions on the private sector, foreign investments, and foreign trade.

REASONS FOR ECONOMIC REFORMS:

Rise in Prices
Price to all commodities before economic reforms rise continuously in India. The inflation rate increased from 6.7 percent to 16.7 percent. Due to inflation, economic position became worse in India. Main reason for inflation was rapid increase in money supply. It was due to deficit financing. Deficit financing means spending more by a Government, than its income by borrowing from sources like RBI, Multilateral Organisations. RBI provides this loan by printing new currency notes. Cost of production increases due to inflation. High rates of inflation beyond control can lead to Economic downfall.

Rise in Fiscal Deficit
Fiscal deficit means difference between total expenditure and total receipts excluding loans. Increase in non-development expenditure, fiscal deficit of the government had been increasing. To cover the fiscal deficit, the government has to raise loans and pay interest on it. Due to rise in fiscal deficit, there was rise in public debt and interest. In 1991, interest liability became 36.4 percent of total government expenditure. Hence, the government had to move for economic reforms.

Increase in Adverse Balance of Payments
The difference between total inflow of money into and total outflow from a country is called balance of payments. If the total exports of a country is lower than the total imports, the foreign exchange falls short for payment. This problem of adverse balance of payments arise before 1991. It is due to the fact that our export goods could not compete in price and quality with other countries’. So, deficit of balance of payments had been rising continuously. In 1980-81, it was Rs. 2214 crore and rose in 1990-91, to Rs. 17,367 crores. To cover this deficit, large amount of foreign loans had to be obtained. So liability of loan and its interest payment increased heavily. This lead the government to adopt new approaches to better the economic situation.

5.1.1 1991 సంయోగానికి ప్రారంభమైన దినానికి

Poor Performance of Public Sector Undertakings
Public sector undertakings are wholly owned by the government. The Indian government have invested crores of rupees in these enterprises. These public sector undertakings did not perform well due to political interference and lack of proper competition and thus became big liability for government in early nineties.

Fall in Foreign Exchange Reserves
Indians foreign exchange reserve fell to low in 1990-91 and it was insufficient to pay for an import bills. In 1986-87 foreign exchange reserves were Rs. 8151 crores and in 1989-90, it declined to Rs. 6252 crores. Then, Government had to sell gold to meet the import liability. So, the Government had to think about economic reforms.

5.1.1. INDIA BEFORE 1991
On 15 August 1947, when India achieved independence, the country was in struggle with widespread poverty and crises in agriculture sector as well as industrial sector. The First Five Year Plan was launched in 1951 with prime objective of the development of the primary sector. In 1956, the Second Five Year Plan, famously known as the Mahalanobis Model, was announced. The main focus of this plan was to emphasise on industrial development and government-led industrialization. The government planned not only for the development of public sector but also the private sector.

Before the process of reform began in 1991, the Indian economy was fairly closed to the outside world. The Indian currency, the rupee, was highly inconvertible and high tariffs and import licensing prevented foreign goods from reaching the market. By 1980, this had created widespread economic stagnation. The annual growth rate of the Indian economy had stagnated around 3.5 percent from the 1950s to 1980s, while per-capita income growth averaged 1.3 percent.

In 1966, due to rapid inflation caused by an increasing budget deficit associated with Indo-China war and severe drought, the Indian government was forced to take monetary aid from the International Monetary Fund and World Bank. By that time, rupee was devalued to fight inflation and devalue exports. Further, the former system of tariffs and export subsidies was abolished. Pressure from international financial institutions had caused a shift towards economic liberalization. Trade restrictions were reintroduced and the Foreign Investments Board was established in 1968 to scrutinize companies investing in India with more than 40 percent foreign equity participation.

As it became evident that the Indian economy was lagging behind the other developing Nations in the world, The government by 1990, began pursuing economic liberalization. The governments relaxed the restrictions on business creation and import controls to promote the growth of the telecommunications and software industries. With the Nationalization of banks in 1969 and the Monopolies and Restrictive Trade Practices (MRTP) Act of 1970, the License system was further strengthened. The Balance of Payment crisis arose in the 1970s and it was worse at the end of 1980s. The balance of payments situation came to the edge of collapse in 1991, mainly because the current account deficits which were financed from abroad. The economic situation of India was critical; the government was close to default. With India’s foreign exchange reserves at 1.2 billion
1990 was a significant year for various reasons. The development of the MRTTP (Multi-Region Transportation Project) was initiated, focusing on infrastructure and connectivity improvements. This project aimed to enhance regional transport systems, leading to better economic integration.

In 1970, the rural electrification program was launched, bringing electricity to remote areas and improving living standards. The adoption of LPG (Liquefied Petroleum Gas) as a cooking fuel was also a notable milestone, simplifying household chores and providing a cleaner alternative to traditional cooking methods.

5.1.2. Budget Estimate - 1991

The budget for the year 1991 was estimated to support various projects. The allocation was made with the aim of ensuring sustainable development and improved quality of life for the population. The budget included funds for education, health, infrastructure development, and social welfare programs.

The government aimed to achieve a balanced budget, focusing on investment in human capital and promoting economic growth. The projected expenditure was expected to support a range of initiatives, including rural development, industrial growth, and environmental protection.

In summary, the year 1991 marked significant progress in various sectors, setting a foundation for future development. The strategic approach to budgeting and investment was expected to contribute positively to the country's economic and social well-being.
U.S. Dollars in January 1991 and exhausted to fifty percent by June 1991. The foreign exchange reserves were very low barely enough to cover three weeks of essential imports. India was very nearer to default on its external balance of payment obligations.

The private sector was not allowed to invest in a number of sectors. This approach was continued despite the public sector’s low performance. Licensing system was very rigid where the private sector was allowed, it could invest only after getting an industrial license. Over 860 items were reserved exclusively for small-scale producers, including many that had very high export potential.

Imports were more strictly controlled than in almost any other developing country because it was felt necessary to conserve scarce foreign exchange. Consumer goods simply could not be imported so domestic producers faced no import competition. Producers could import capital goods and intermediates needed for production, but this generally required an import license.

5.1.2. NEW ECONOMIC POLICY-1991

Economic reforms were the required changes introduced by the government to bring an improvement in the economy of a country through various reforms and policies. Economic reforms in connection with Indian economy refers to the fundamental changes that were initiated in 1991 with the plan of liberalising the economy and quickening its rate of economic growth. The important features of the economic reforms are Liberalisation, Privatisation, and Globalisation, commonly known as LPG

New Economic Policy of India was launched by the government under the leadership of the then Prime Minister Sri P. V. Narasimha Rao. Major changes have been taken by reducing the import duties, open reserved sector for the private players, devaluated the Indian currency to increase the export. This is also known as the LPG Model of growth. The main objectives behind the launching of the New Economic Policy in 1991 were;

- to throw Indian Economy into the arena of ‘Globalization and to give it a new thrust on market orientation.
- intended to bring down the rate of inflation
- intended to move towards higher economic growth rate and to build sufficient foreign exchange reserves
- to achieve economic stabilization and to convert the economy into a market economy by removing all kinds of un-necessary restrictions.
- to permit the international flow of goods, services, capital, human resources and technology, without many restrictions.
ఉత్తర పంచాయత్తి కార్యాలయం భవనం సంస్థలో కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు. అంటే ఉత్తర పంచాయత్తి కార్యాలయం భవనం పనిచేసే ఉత్తరాధికారులు కేంద్రీకరించి పనిచేసే హైమన్ నియమమ నిర్ధారించారు. 

మిశ్రమ ఉత్తర పంచాయత్తి కార్యాలయం భవనం సంస్థలో కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు. MRTP బాధ్యత 1969 బొమ్మలపై నియమమ నిర్ధారించి పనిచేసే ఉత్తరాధికారులు కేంద్రీకరించారు. 

పండితుడు భవాని స్మార్ఖ ప్రధాన శాసనం, కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు. 

పనిచేసేది పండితుడు భవాని కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు.

పండితుడు భవాని కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు.

18 మాసాల మామలు కేంద్రీకరించి పనిచేసేవారు సంపాదన సంస్థలో కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు.

మామలు కేంద్రీకరించి పనిచేసేవారు నియమమ నిర్ధారించారు కార్యాలయం భవనం సంస్థలో కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు.

MRTP బాధ్యత క్రియాశాల వైద్య భాషల్యం నియమమ నిర్ధారించారు. 

పండితుడు భవాని కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు.

1969 పనిచేసేది పండితుడు భవాని కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు.

పండితుడు భవాని స్మార్ఖ ప్రధాన శాసనం, కేంద్రీకరించి పనిచేసే ఉత్తరాధికారులు నియమమ నిర్ధారించారు.
to increase the participation of private players in the all sectors of the economy. To do so, the number of reserved sectors for government were reduced.

The thrust of the New Economic Policy has been towards creating a more competitive environment in the economy as a means to improving the productivity and efficiency of the system. This was to be achieved by removing the barriers to entry and the restrictions on the growth of firms.

MEASURES ADOPTED IN THE NEW ECONOMIC POLICY
Due to various controls, the economy became passive by nineties. The entrepreneurs were unwilling to enter into new industries because laws like MRTP Act 1969. Rate of economic growth of the economy came down. In such a scenario economic reforms were introduced to reduce the restrictions imposed on the economy. The Following steps were taken under the new economic policy:

Liberalisation
The new economic policy has made provision for liberalizing the economy against unnecessary controls and regulations. Here, the liberalisation simply indicates liberating the trade and industry from unwanted restrictions. In order to liberalise the economy and to bring transparency in the policy, the New Industrial Policy, 1991 has abolished the system of industrial licensing for all industrial undertaking, irrespective of the level of investment, except for a short list of 18 industries related to security and strategic concern, social reasons, hazardous chemicals and overriding environmental concerns and items of elitist consumption.

The New Industrial Policy has liberalized the industries in the following lines:
- all other industries, except 18, are delicensed and were allowed to set up and sell shares without any restriction;
- industries are allowed to expand their capacity freely as per the needs of the market;
- producers are allowed to produce any commodity or diversify their output as per the demand in the market;
- MRTP companies (having investment beyond Rs. 100 crore) are now no longer required to go for pre-entry of investment decisions and they are now allowed to expand their size;
- in 1996-97, the policy of industrial reforms has enhanced the investment ceilings in plant and machinery for small scale industries (SSI) and ancillary units from Rs. 60 lakh and Rs. 75 lakh respectively to Rs. 3 crore and that for the tiny sector has also been raised from Rs. 5 lakh to Rs. 25 lakh;
- industries have been set free to buy foreign exchange from open market and also to make necessary imports. The aforesaid measures have liberalised the industries to take prompt decisions so as to raise their efficiency in production and to face open competition in the market.

Previously, private sector had to obtain license from Government for starting a new venture. In this policy, private sector has been freed from licensing and other restrictions. Industries licensing is
necessary only for industries like liquor, cigarette, defence equipment, industrial explosives, drugs, hazardous chemicals.

**Privatisation**

Another important feature of New Economic Policy is the promotion of the policy of privatisation. Privatisation means permitting the private sector to set up industries which were previously reserved for the public sector. Under this policy many public sector undertakings were sold to private sector. In other words, Privatization is the process of involving the private sector in the ownership of public sector units. The main reason for privatisation was that public sector undertakings were running in losses due to political interference. The management could not work independently. Production capacity remained under-utilized. To increase competition and efficiency, privatisation of that units was inevitable. The following steps were taken for privatization:

- reducing the number of industries reserved for the public sector from 17 to 8;
- raising the share of private sector to total investment to 55 per cent at the end of Eighth Plan;
- selling the government equity holdings of public sector enterprises among the workers and public for greater participation of private individuals;
- institutional credit support, to private sector enterprises from the National financial institutions.

Thus this privatisation move is expected to increase the efficiency and productivity of the private sector and economy at large.

![Fig-5.1](image_url)

**Globalization**

Globalisation of the economy simply indicates free interaction of the country in issues relating to production, trading and financial transactions with other countries of the world. Globalisation of the economy offers both challenges and opportunities to the developing countries. While facing the trend of globalisation, the developing countries are preparing themselves to face the challenge of international
కాలం అందుకే మరింతం విస్తరించడానికి, ముఖ్యంగా ఎంతప్పు సమయంగా మరింతం కూడా వహించడానికి మరుభూమి ప్రాంతం అందుకుంటారు.

ప్రపంచంలో కొనసాగించడానికి, ముఖ్యమైన మందిరం కంప్యూటర్ పరికరాల మీద ప్రయత్నం మరింతం చేయడానికి మరుభూమి ప్రాంతం అందుకుంటారు.

మొదటి ప్రశ్నానికం (1991) అనే ప్రశస్తికం లో ప్రత్యేకమైన విషయం కు నిర్దిష్టం (మాంగిపాద II) ని ప్రారంభం నిర్మించడానికి, మానసిక శాస్త్ర పరికరాల 51 జీవ్య పరికర (లోపం విస్తరించడానికి ఆంధ్రప్రదేశ్ ప్రభుత్వం సాధారణ అధికి ప్రత్యేకం.

మొదటి ప్రశ్నానికంలో ప్రమాణాలను కొనసాగించడానికి, ఏప్పుడు ప్రమాణాలను పరికరాల 65 పరికరాల 30 జీవ్య పరికర (లోపం విస్తరించడానికి ఆంధ్రప్రదేశ్ ప్రభుత్వం సాధారణ అధికి ప్రత్యేకం.

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క్రమంలో ప్రశ్నానికం (1991) అనే ప్రశస్తికం లో ఎంతప్పు మానసిక శాస్త్ర పరికరాల 30 జీవ్య పరికర (లోపం విస్తరించడానికి ఆంధ్రప్రదేశ్ ప్రభుత్వం సాధారణ అధికి ప్రత్యేకం.

ప్రశ్నానికంలో ప్రమాణాలను కొనసాగించడానికి, ఏప్పుడు ప్రమాణాలను పరికరాల 65 పరికరాల 30 జీవ్య పరికర (లోపం విస్తరించడానికి ఆంధ్రప్రదేశ్ ప్రభుత్వం సాధారణ అధికి ప్రత్యేకం.
competition. With the introduction of new economic policy, Indian economy has accepted the challenge of facing globalisation of the economy.

**Globalisation of the Indian economy has made the following changes:**

- The New Economic Policy (1991) has prepared a specified list of high technology and high investment priority industries (Annexure III) in which automatic permission would be available for foreign direct investment up to 51 per cent of equity.

- In respect of foreign technology agreements, automatic permission is provided in high priority industry up to a sum of Rs. 1 crore. No permission is required for hiring foreign technicians or for testing indigenously developed technology abroad.

- In order to make international adjustment of Indian currency, rupee was devalued in July 1991 by nearly 20 per cent which also stimulated exports, discouraged imports and raised the influx of foreign capital.

- In order to make an inevitable move for the expeditious integration of Indian economy with that of the world, the Union Budget 1992-93 has made Indian rupee partially convertible and then the rupee was made fully convertible in 1993-94 budget. Accordingly, in March 1993, the Government introduced a fully unified market determined exchange rate system.

- Thus, a major step towards current account convertibility was taken by India in March 1993. When the foreign exchange budget was abolished, the exchange rate was unified and transactions on trade account were freed from exchange control. Capital account convertibility is now being targeted.

- A new five year export-import policy, 1992-97 was announced by the Government on March 31, 1992. The main objectives of the new policy are to establish the framework of globalisation of India’s foreign trade, to promote productivity, modernisation and competitiveness of Indian industry and thereby to enhance its export capabilities and also to simplify and streamline the procedures governing exports and imports.

- The policy removed all restrictions and controls on the external trade and market forces are allowed to play a greater role in respect of exports and imports. Again on August 31, 2002, a new Foreign Trade Policy 2004-09 was announced which has simplified the trade practices further for improving our competitiveness in the global market.

- In order to bring the Indian economy within the ambit of global competition, the government has modified the customs duty to a considerable extent. Accordingly, the peak rate of customs duty has been reduced from 250 per cent to 10.0 per cent in 2007-2008 budget.

- In order to increase the flow of foreign investment and technology the Government has taken several measures like:
పండి 10.0 లక్షల్లో పెరగాలేదు.

- ఆరోగ్య సమస్యలు ప్రత్యేకంగా విదేశాలలో కొనసాగించబడుతున్నాయి. సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.
- అనేక విభాగాలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.
- వ్యక్తివిదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.
- వ్యక్తివిదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.
- FIPB నిషేధాంశాలా సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.

FERA/FEMA సమయంలో ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.

- వ్యక్తివిదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.

ప్రస్తుతితో విదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది. ఈ ప్రత్యేక సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి. కొనసాగించిన ఆంగ్ల వాతావరణానికి విదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.

- వ్యక్తివిదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.
- వ్యక్తివిదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.
- వ్యక్తివిదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.

ప్రస్తుతితో విదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది. ఈ ప్రత్యేక సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి. కొనసాగించిన ఆంగ్ల వాతావరణానికి విదేశాల సమస్యలు ప్రత్యేకంగా ఇంటికి పిడితాయి అవసరం ఉంది.
- granting foreign technical collaborations of high priority industries;
- freedom to import foreign technology by private entrepreneurs and also to test indigenous technology abroad;
- establishing Foreign Investment Promotion Board (FIPB) for finalizing foreign investment and collaboration proposals and
- offering concessions to FERA/FEMA companies.

➢ In order to meet the international competitiveness, the Government has taken various steps for correcting its balance of payments deficit and also to increase the share of India in international trade.

New public sector policy
Another important feature of new economic policy is its change in public sector policy. The new policy has shifted its emphasis from public to private sector.

The Industrial Policy has undertaken the following four major policy decisions in respect of public sector:

- reduction in the list of industries reserved for the public sector from 17 to 8 and introducing selective competition in the reserved areas;
- disinvestment of shares in PSEs to raise resources and encourage wider participation of general public and workers in the ownership of PSEs;
- policy for sick PSEs to be designed at par with that of the private sector. Sick PSEs which are unlikely to turn around will be referred to BIFR (Boar for Industrial and Financial Reconstruction) for formulation of revival schemes;
- improving performance through the performance contract or Memorandum of Understanding (MOU) system by which Managements are to be granted greater autonomy and held accountable for results;

Modernisation
The New Economic Policy has been providing high priority to the introduction of modern techniques in production system. The policy facilitates the growth of sunrise industries, i.e. electronics and computers. In order to introduce better and improved technology, the government is permitting all foreign collaboration proposals related to the import of high technology. Private entrepreneurs are now free to finalise the terms of such collaborations. Development of indigenous technology was also encouraged. Private companies are also encouraged to develop their own Research and Development (R&D) centers through tax concessions.
కైపొడిని, అవసరం మేనిడుమో, మాదాలకా కటిండీ అందుకుంచి ఆధారం కొట్టి కొని నిశ్చితం చేయడం కటిండా అంటే కైపొడి వంతెన ఉండి కైపొడిలో నివసించడం అవసరం ఉంది.

మొదట మానసిక సంప్రదాయం
సంప్రదాయం ఆధారానికి లఖించిన పదార్థం, అందుకే ప్రత్యేకంగా ఎంతా రెండూ రెండు సంప్రదాయాలు వచ్చింది కాదు వీటి ఉండాలి ద్వారా ఒక సంప్రదాయం లేదు.

- సమృది మరియు అవసరం
- దాని విలువ ప్రతిభలు వచ్చింది
- మరియు మాత్ర ఎంపికయో ఉంటుంది
- మనిషికి అధికంగా ఈ శాస్త్రాలు వచ్చింది అని మాటలు ఉంటాయి,
- తనసూత్ర నాట్యాల ప్రతిభలు వచ్చింది అని మాటలు ఉంటాయి,
- ఆధ్యాత్మిక విచారణలు, శాస్త్రాన్ని, మనుష్యత్వాన్ని, పండితుడు శాస్త్రాన్ని, పండితుడు శాస్త్రాన్ని కనుకుంటుంది.
- ఈ నమ్మ మరియు మాటించాయని కాంతిసంప్రదాయం ఉండాలి.
- తనసూత్ర నాట్యాలు వచ్చింది కాదు వీటి ఉండాలి తనసూత్ర నాట్యాలు వచ్చింది కాదు వీటి ఉండాలి వీటి ఉండాలి.

ఎందుకంటే ఎందుకంటే
ఎందుకంటే ఎందుకంటే ఎందుకంటే ఎందుకంటే ఎందుకంటే ఎందుకంటే ఎందుకంటే ఎందుకంటే

5.1.3. కొట్టడం కి ఎప్పుడు కైపొడి అనుమానం చేసుకునేది
- అందుకని మనం ప్రత్యేక విశేషాలు అందూ, అందుకని ప్రతిభించడం అందూ వచ్చింది వీటి మేధా ఆధారం ఉంది.
- 1991 ఎండిలో సెంట్టు విశేషాలు ఎంటియస్త్ర నిపుణులు ఉండాలి. ఇది విశేషాల మీదుగా మార్గం ఉంది.
Steps were taken for the modernisation of the age-old steel, textile, jute, sugar, leather industries having rich potential. This is important for attaining self-reliance and also for cost reduction and production of high quality goods required for both internal consumption and exports.

**Financial Reforms**
As per the recommendations of the Narasimham Committee, the Government has undertaken various measures for reforming the financial sector.

- reduction in liquidity ratio,
- abolition of direct credit programmes,
- free determination of interest rates,
- necessary improvement in the banking accounting system,
- making provision for Non-performing assets (NPAs),
- establishing speedy recovery of loans by special tribunals,
- reconstitution of banking system for the establishment of a few banks of international standard, National banks, local banks, rural banks, private sector banks etc.,
- liberal treatment to foreign banks;
- abolition of branch licensing system,
- giving more freedom to banks and ending dual control of RBI and Finance Ministry, and
- reform of the financial institutions consisting financing companies, merchant banks, mutual funds etc. and
- introducing capital market reforms.

**Fiscal Reforms**
Another important feature of New Economic Policy is to introduce fiscal policy reforms. The Government initiated various fiscal measures in order to reduce the fiscal deficit from 8.4 per cent of GDP in 1990-91 to 5.0 per cent in 1996-97 and then to 4.4 per cent in 1999-2000.

In order to achieve the target, the Government has introduced various controls over public expenditure and took initiative to raise its both tax and non-tax revenue. The other measures include imposition of fiscal discipline by both Central and State Governments, reduction of subsidies, rationalisation of excise and custom duties rate structure, constituting Expenditure Reforms Commission in 1999-2000 budget, streamlining the working of State and Central public sector enterprises and withdrawal of budgetary support to these enterprises, rationalisation of tariff structure and user charges of transport corporations, irrigation projects etc.

**5.1.3. IMPACT OF ECONOMIC REFORMS ON INDIAN ECONOMY**

- Poverty reduced from 36% in 1993-94 to 26.1% in 1999-2000. The poverty in rural areas and urban areas also declined.

- Opened the borders to foreign goods and easier access to foreign technology.
5.2. భారతదేశ నిర్వహణలు

పిన్నలో నిర్వహణ విభాగానికి మొత్తం సమాచారాన్ని ప్రమాణిస్తుంది. మరొక ప్రాంతానికి సమాచారాన్ని ప్రమాణిస్తుంది.

పిన్నలో నిర్వహణ విభాగానికి మొత్తం సమాచారాన్ని ప్రమాణిస్తుంది. మరొక ప్రాంతానికి సమాచారాన్ని ప్రమాణిస్తుంది.

పిన్నలో నిర్వహణ విభాగానికి మొత్తం సమాచారాన్ని ప్రమాణిస్తుంది. మరొక ప్రాంతానికి సమాచారాన్ని ప్రమాణిస్తుంది.

పిన్నలో నిర్వహణ విభాగానికి మొత్తం సమాచారాన్ని ప్రమాణిస్తుంది. మరొక ప్రాంతానికి సమాచారాన్ని ప్రమాణిస్తుంది.

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The post 1991 era witnessed an expansion of the automobile sector which resulted easy availability of motor vehicles, increased competition in the sector and reduction in prices of motor vehicles.

Reforms led to the achievement of recognizable increases in international competitiveness in a number of sectors including auto components, telecommunications, software, pharmaceuticals, biotechnology, research and development, and professional services provided by scientists, technologists, doctors, nurses, teachers, management professionals and similar professions.

There was a vast expansion of the telecommunication sector. In fact, this sector has been one of the biggest beneficiaries of economic reforms. The telecom policy evolved from the National Telecom Policy in 1994 to open sectors to private players.

The reforms were largely in the formal sector of the economy, the agriculture, urban informal sector and forest dependent communities did not see any reforms. This led to uneven growth and unequal distribution of economic freedom among people.

Economic liberalization in the organized manufacturing sector has led to growth with very little additional employment.

Market-based economic reforms also often lead to increasing disparities between the rich and the poor and between infrastructurally backward and more developed states.

Social sectors like health and education have been neglected. These areas although very important, were not focused upon and the result can be seen in the dismally low levels of education and health indicators today.

Economic reforms have accelerated growth but failed to generate adequate employment. The rural unemployment rate, after declining to 5.61 percent in 1993-94, rose to 7.21 percent in 1999-2000 which is not optimal.

5.2. INDUSTRIAL POLICIES

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 main objective of the industrial policy is to shift from lower to higher productivity activities, between or within sectors. The government takes measures to encourage and improve the competitiveness and capabilities of various firms.

The industrial policy refers to such formal declaration by the government through which general policies for industries adopted by the Government are made public. Any industrial policy may have mainly two parts first, the ideology of the Government which determines the nature of industrialisation, and second, the governing rules and principles which provide a certain framework behind existing
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e∫Ã+~. 1991 ˝À, eT]j·TT 1956 bÕ]ÁXÊ$Tø£ $<Ûëq+˝À düT<ä÷s¡ e÷s¡TŒ\T »]>±sTT. p˝…’ 1991 ø=‘·Ô
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5.2.1. bÕ]ÁXÊ$Tø£ $<ÛëqeTT - 1948
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ideology. Thus, industrial policy is a comprehensive concept which provides guidance and out-lines of the policy for establishment and working of industries.

**OBJECTIVES OF INDUSTRIAL POLICIES**

**Rapid Industrial Development**
The industrial policy of the Government of India is aimed at increasing the pace of industrial development. It seeks to create a favourable investment climate for the private sector as well as mobilise resources for the investment in public sector. In its way, the government seeks to promote rapid industrial development in the country.

**Balanced industrial Structure**
The industrial policy is designed to correct the prevailing uneven industrial structure. Thus, for example, before independence, India had some fairly developed consumer goods industries. But the capital goods sector was not developed at all and basic and heavy industries were absent. So, the industrial policy had to be framed in such a manner that these imbalances in the industrial structure are corrected.

**Prevention of Concentration of Economic Power**
The industrial policy seeks to provide a framework of rules, regulations and reservation of spheres of activity for the public and the private sectors. This is aimed at reducing the monopolistic tendencies and preventing concentration of economic power in the hands of a few big industrial houses.

**Balanced Regional Growth**
Industrial policy also aims at correcting regional imbalances in industrial development. It is well-known that some regions in the country are industrially advanced while others are industrially backward. It is the task of industrial policy to work out programmes and policies which lead to industrial development or industrial growth.

The Industrial policy of 1948, which was the first industrial policy statement of the Government of India, was changed in 1956 in a public sector dominated industrial development policy that remained in force till 1991 with some minor modifications and amendments in 1977 and 1980. In 1991, far reaching changes were made in the 1956 industrial policy. The new Industrial Policy of July 1991 heralded the framework for industrial development at present.

**5.2.1. INDUSTRIAL POLICY 1948**
On April 30, 1948, the Government of India passed a policy resolution – The Industrial Policy Resolution, 1948 (IPR, 1948). It divided the industrial sector into four broad groups:

**Group 1** – Basic and strategic industries like arms and ammunition, atomic energy, railways, etc. Further, these were in the exclusive monopoly of the State.

**Group 2** – Key industries like coal, iron and steel, shipbuilding, manufacture of telegraph, telephone, mineral oils, etc. The State took over the exclusive responsibility of all future developments in these
5.2.2. కౌంటేరింగ్ ప్రామాణ్య - 1956

ప్రామాణ్య ప్రామాణ్య, 1956 మంది గతమయుగ యొక్క “ప్రత్యేకమైన ప్రామాణ్యం” అంటే పరిస్థితి. 
అంతేకాకుడు, ప్రత్యేకమైన పాత్రానికి ప్రామాణ్యం కలిగి ఉండాలి. అందువల్ల ప్రామాణ్యం ప్రత్యేకత విస్తరించడానికి మాదిరి పాత్రానికి ప్రామాణ్యం కలిగి ఉండాలి. మహాసంభవం 30, 1956 నాటికి ప్రామాణ్య ప్రామాణ్య, 1948 నాటికి ప్రామాణ్య, ప్రామాణ్య ప్రామాణ్య ప్రామాణ్య, 1956 ప్రామాణ్యం. 

తాడితో హేరు యాదగిరి అనే పదార్థం ప్రామాణ్యం

ప్రామాణ్యం ప్రామాణ్యం, 1956 ప్రామాణ్యం, మితితో అతి మసూర మాధ్యమంచేది

మాధ్యమంచేది – A - లో మితి అక్షరం 17 ప్రామాణ్యం కలుమ. నిర్ధారించడానికి ప్రామాణ్యం, మితితో అతి మసూర మాధ్యమంచేది మాధ్యమంచేది ప్రామాణ్యం కలుమ. అందుకే మాధ్యమంచేది ప్రామాణ్యం కలుమ.

మాధ్యమంచేది – B - 12 ప్రామాణ్యం కలుమ, మితితో అతి మసూర మాధ్యమంచేది ప్రామాణ్యం. అమ్మదు అడి మితితో పాటు ప్రామాణ్యం కలుమ. ప్రామాణ్యం కలుమ.

మాధ్యమంచేది – C - పాటు మితితో అతి మసూర మాధ్యమంచేది ప్రామాణ్యం. అమ్మదు అడి మితితో ప్రామాణ్యం కలుమ. ప్రామాణ్యం కలుమ. అమ్మదు అడి ప్రామాణ్యం కలుమ. 1951 ప్రామాణ్యం కలుమ.
industries. Also, the existing industries were allowed to function for 10 years. After the end of the
tenure, the State would review and take adequate decisions.

**Group 3** – A total number of 18 industries including heavy chemicals, sugar, cotton textile and
woollen industry, cement, paper, salt, machine tools, fertiliser, rubber, air and sea transport, motor,
tractor, electricity etc. The private sector was allowed to open these industries subject to government
regulation and supervision.

**Group 4** – All the remaining industries. However, the government can participate or intervene if the
need arises.

Apart from the four fold classification of the industries; the Industrial Policy 1948 endeavoured
to protect cottage and small scale industries by according them priority status. It also emphasised on
establishing harmonious industrial relations; gave high priority to fair wage rates; social security to
workers and their participation in management. The industrial policy 1948 had acknowledged the
significance of foreign capital for industrialisation of the country, but it was decided that the control
should remain with Indian hands. To implement the Industrial Policy Resolution, 1948, the Government
passed the Industries (Development and Regulation) Act in 1951.

### 5.2.2. INDUSTRIAL POLICY 1956

The Industrial Policy, 1956 was an elaborate document and was hailed as “Economic Constitution of
India” It touched virtually all aspects of Industrial development. It established the public sector as
epicenter of industrialization. On April 30, 1956, the Government revisited the Industrial Policy, 1948
and announced the Industrial Policy Resolution, 1956 (IPR, 1956). There were three reasons behind
the revision:

- The introduction of the Constitution of India
- The adoption of a planning system
- The Parliament’s declaration of adopting a socialist pattern of the society

According to the Industrial Policy, 1956, the industries were classified in the following categories:

**Schedule A** – A list of 17 industries as the exclusive responsibility of the State. Of these, four industries,
namely arms and ammunition, atomic energy, railways, and also air transport become Central
Government monopolies and the rest under State Governments.

**Schedule B** – A list of 12 industries open to both the public and private sectors. However, these
industries are progressively State-owned.

**Schedule C** – All the remaining industries. The private sector had the primary initiative of development.
However, they needed to fit within the economic and social priorities and policies of the Government.
Further, they were subject to the provisions of the Industries (Development and Regulation) Act,
1951.
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The IPR, 1956 also stressed the importance of small-scale and cottage industries for expanding employment opportunities.

5.2.3. INDUSTRIAL POLICY STATEMENT, 1977

In December 1977, Government announced its New Industrial Policy through a statement in the Parliament. The main thrust of this policy was the effective promotion of cottage and small industries widely dispersed in rural areas and small towns. 1977 Industrial policy defined a “tiny unit” as a unit with investment in machinery and equipment upto Rs. 1 Lakh and situated in towns or villages with a population of less than 50,000. The main features of the Industrial Policy Statement, 1977 are:

**Special Focus on Small”scale Industries**
The 1977 policy gave highest priority to the small scale and tiny industries. The policy declared to establish one District Industries Centre in each district to meet the requirement of industries within that district. It also announced to establish a separate cell in the Industrial Development Bank of India to cater to the need of the small industries.

**Focus on Labour”intensive Technology**
In contrast with capital intensive industries, this policy emphasized on special efforts to develop small and ordinary machines and their optimal use to enhance productivity and income of the workers engaged in small and cottage industries. Small and cottage industries encouraged to expand.

**Viability of Public Sector**
The policy emphasized on the viability, efficiency and profitability of the public sector units. It declared that government will selectively take over sick industries to bear minimum possible loss; and will take immediate measures to rehabilitate and manage the units taken over.

**Focus on Indigenous Technology**
The policy called for use of indigenous technology as far as possible for future development of Industry. However, for sophisticated sectors, the government would buy best available technology from abroad. This policy called for a restricted use of foreign technology.

**Focus on self-sufficiency**
This policy called for minimum export and maximum possible self-sufficiency. It called for removing restrictions on those imports which are needed for development of priority industries.

**Balanced Regional Development**
The government decided in the interest of balanced regional development; no more licences will be issued for the establishment of industries within certain limits of metropolitan cities having a population exceeding 10 lakh and in other cities having a population exceeding 5 lakh.

**Restrictions on Foreign Investments**
The policy declared that the foreign investment in the “unnecessary areas” was prohibited. This was virtually a complete NO to the foreign investment. This policy is also remembered for a very important
5.2.4. ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಾಧಿಯಂತೆ -1980

1980, ಮತ್ತು 23 ಜನರು ಹೊಂದಿದ್ದು ಆದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಾಧಿಯಂತೆಯು ತಿರುಂದ. ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಪ್ರಕಾರ, 1980 ರಿಂದ 1983ರವರೆಗೆ ತಮ್ಮ ಜೀವನದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗವು ಸೇವೆಯಾಗಿದೆ. ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯು ಇದೇ ವರ್ಷದಲ್ಲಿ ನಿರ್ವಹಣೆಯಾಗಿದೆ. ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯು ಅವರ ಅಧಿಕಾರದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗವು ಸೇವೆಯಾಗಿದೆ.

1980 ರಿಂದ 1983ರವರೆಗೆ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯು ಸೇವೆಯಾಗಿದೆ.

ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯನ್ನು ಸೇವೆಯಾಗಿ ಮಾಡಿದರೆ, ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯು ಕೆಲವು ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳಲ್ಲಿ ನಿರ್ವಹಣೆಯಾಗಿದೆ. ಅವರ ಅಧಿಕಾರದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳು ತಿರುಂದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳು ಮುಂದೆ ಸೇವೆಯಾಗಿದೆ. ಅವರ ಅಧಿಕಾರದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳು ತಿರುಂದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳು ಮುಂದೆ ಸೇವೆಯಾಗಿದೆ.

ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯನ್ನು ಸೇವೆಯಾಗಿ ಮಾಡಿದರೆ, ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯು ಕೆಲವು ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳಲ್ಲಿ ನಿರ್ವಹಣೆಯಾಗಿದೆ. ಅವರ ಅಧಿಕಾರದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳು ತಿರುಂದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳು ಮುಂದೆ ಸೇವೆಯಾಗಿದೆ.

ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯನ್ನು ಸೇವೆಯಾಗಿ ಮಾಡಿದರೆ, ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗದ ಸೇವೆಯು ಕೆಲವು ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳಲ್ಲಿ ನಿರ್ವಹಣೆಯಾಗಿದೆ. ಅವರ ಅಧಿಕಾರದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳು ತಿರುಂದ ಪ್ರತ್ಯೇಕವಾದ ಮಾರ್ಗಗಳು ಮುಂದೆ ಸೇವೆಯಾಗಿದೆ.
provision. The statement stated that foreign companies that diluted their foreign equity up to 40 per cent under Foreign Exchange Regulation Act (FERA) 1973 were to be treated at par with the Indian companies. Companies like Coca Cola and IBM did not comply with the provisions and Industry Minister George Fernandez threw the Coke and IBM out of India.

5.2.4. INDUSTRIAL POLICY 1980
Government announced the new industrial policy on 23rd of July, 1980. The Industrial Policy Statement, 1980 addressed the need for promoting competition in the domestic market, modernization, selective Liberalization, and technological up-gradation. The objective was to liberalize the industrial sector to increase industrial productivity and competitiveness of the industrial sector. The main features of the Industrial Policy of 1980 were.

Revitalisation of the Public sector
The government decided to raise the efficiency of public sector undertakings. For this purpose, it proposed to strengthen their management and develop management cadres in the field of finance and marketing. It also proposed to study the industrial units of the public sector and suggest specific steps for their betterment.

Economic Federalism
It proposed to promote the concept of economic federalism with the setting up of a few nucleus plants in each district, identified as industrially backward, to generate as many ancillaries small and cottage industries for their development.

Redefining the small Units
To encourage the development of small units, the government revised the definition of small units.

- Tiny units- limit of investment raised from Rs 1 lakh to Rs 2 lakhs
- Small industries- limit of investment raised from Rs 10 lakhs to Rs 20 lakhs; and
- Ancillaries- limit of investment raised from Rs 15 lakhs to Rs 25 lakhs

Promotion of rural industries
To generate higher employment and higher per capita income, handlooms, handicrafts and Khadi are given greater attention so that a faster growth of the rural areas is made possible

Removal of regional imbalances
For this, the state encouraged industrial units in backward areas.

Industrial sickness
The policy statement outlined clearly its approach towards sick units
- Management of sick units would be taken over only in exceptional cases on grounds of public interest where other means for their revival are not feasible.
5.2.5. Economic Regulation - 1991

The Economic Company Act was passed in 1991, which aimed to regulate the economic activities of companies. The Act covered the registration, regulation, and supervision of companies. The Act also provided for the appointment of economic inspectors to ensure compliance with the Act. The Act was implemented to regulate the economic activities of companies and to ensure fair competition in the market. The Act was passed on 24th April, 1991. The Act came into force on 25th April, 1991. The Act was implemented to regulate the economic activities of companies and to ensure fair competition in the market. The Act was passed to regulate the economic activities of companies and to ensure fair competition in the market.

LPG - £100/- (Previous Amount £50/-)
P - £100/- (Previous Amount £50/-)
G - £100/- (Previous Amount £50/-)

The Act was passed to regulate the economic activities of companies and to ensure fair competition in the market. The Act was implemented to regulate the economic activities of companies and to ensure fair competition in the market.
• Sick units with adequate potential for revival would be encouraged to merge with healthy units.

**Regulation of Unauthorised Excess Capacity**
In the private sector, capacity expansion up to 25 percent of installed capacity would be automatically available to the overall capacity including regularised excess capacity. It was stated that FERA and MRTP companies were to be considered on a selective bases. Moreover, this facility was not to be given in respect of items reserved for the small sector.

**5.2.5. INDUSTRIAL POLICY 1991**

The New Industrial Policy was declared on July, 1991 with the major aim of loosening the barriers to entry for private firms to encourage competition in the industrial sector. It also aims to sustain growth in the productivity, gainful employment and to attain international competitiveness.

To encourage private participation in the economy, the areas of industry reserved for the public sector have been considerably reduced from 17 to 8. In particular, telecommunication, power, air transport, petroleum, sectors were opened for private sector. 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, Multi National Companies and imported items

On July 24, 1991, the Government of India announced a new, liberalized industrial policy. This policy scrapped the asset limit for Monopolies and Restrictive Trade Practice (MRTP) companies.

Further, it abolished industrial licensing of all projects with a few exceptions. It also raised the limit for foreign participation in the country’s industrial sector.

**HIGHLIGHTS OF POLICY**

**Government Monopoly**
The number of industries reserved for public sector was reduced from 17 to only 8 industries. These industries are . arms and ammunition, atomic energy, coal, mineral oil, mining of iron ore, manganese ore, gold, silver, mining of copper, lead, zinc, atomic minerals and railways. Further, the policy had implied threat of closure of sick public sector enterprises to increase efficiency of the public sector.
மருத்துவ மருவயிறு முறையில்

மருத்துவ மருவயிறும் முறையில், ஆர்வ வகைகள் விளக்கம் பெற்று, குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது. ஒவ்வொரு குறிப்பிட்டிருக்கும் விளக்கம் வெளிப்படுத்தப் போது, குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது. 18 வயதுக்கும் மேலான குழந்தை எவைகளும் விளக்கம் பெற்றது. 18 வயதுக்கும் மேலான குழந்தைகளும், குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது.

மிகுந்த வழக்கம் புதுக்கான

மிகுந்த வழக்கம் புதுக்கான என்றும், தற்போது குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது. 47 வயதுக்கும் மேலான குழந்தைகளின் விளக்கம் மிகுந்த வழக்கம் புதுக்கான என்றும், தற்போது குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது. 74 வயதுக்கும் மேலான குழந்தைகளின் விளக்கம் மிகுந்த வழக்கம் புதுக்கான என்றும், தற்போது குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது. 34 வயதுக்கும் மேலான குழந்தைகளின் விளக்கம் மிகுந்த வழக்கம் புதுக்கான என்றும், தற்போது குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது.

மிகுந்த வழக்கம் புதுக்கான என்றும், தற்போது குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது. 100 வயதுக்கும் மேலான குழந்தைகளின் விளக்கம் மிகுந்த வழக்கம் புதுக்கான என்றும், தற்போது குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது. 340 வயதுக்கும் மேலான குழந்தைகளின் விளக்கம் மிகுந்த வழக்கம் புதுக்கான என்றும், தற்போது குறிப்பிட்டிருக்கும் விளக்கம் நடந்தது.

MRTP என்பது என்ன என்றும்

MRTP என்றும் என்றும் என்றும் கூறும் கூறும் கூறும் என்றும், முறையான முறையான முறையான MRTP என்றும், MRTP என்றும், MRTP என்றும் மறுவை முறையான முறையான முறையான துவங்கியது. மறுவை முறையான முறையான முறையான MRTP என்றும், MRTP என்றும், MRTP என்றும் கூறையான முறையான முறையான முறையான என்றும், MRTP என்றும், MRTP என்றும், MRTP என்றும்.
Industrial Licensing Policy
This policy abolished the Industrial licensing for all industries except for a short list of 18 industries. This list of 18 industries was further pruned in 1999 whereby the number reduced to six industries like drugs and pharmaceuticals, hazardous chemicals, explosives such as gun powder and detonating fuses, tobacco products, alcoholic drinks, and electronic, aerospace and defence equipment. However, in this policy, industries reserved for the small scale sector were continued to be so reserved.

Foreign Investment and Capital
This was the first Industrial policy in which foreign companies were allowed to have majority stake in India. In 47 high priority industries, up to 51 percent FDI was allowed. For export trading houses, FDI up to 74 percent was allowed. 34 Industries were placed under the automatic approval route for direct foreign investment up to 51 percent foreign equity. It was promised that there will be no bottlenecks of any kind in this process provided that foreign equity covers the foreign exchange requirement for imported capital goods. A promise to carry out some amendments in Foreign Exchange Regulation Act -1973 was later replaced by FEMA in 1999

Foreign Technology Agreements
Automatic permission was given for foreign technology agreements in high priority industries up to a lump sum payment of Rs. 1 crore, 5 percent royalty for domestic sales and 8 percent for exports, subject to total payment of 8 percent of sales over a 10 year period from date of agreement or 7 years from commencement of production. Further, government eased hiring of foreign technicians.

Review in Public Sector Investments
A promise was made to review the portfolio of public sector investments with a view to focus the public sector on strategic, high-tech and essential infrastructure. This indicated a disinvestment of the public sector. The PSUs which were chronically sick and which are unlikely to be turned around were to be referred to the Board for Industrial and Financial Reconstruction (BIFR). It was promised that Boards of public sector companies would be made more professional and given greater powers.

Amendments to MRTP Act
The MRTP Act was amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. This eliminates the requirement of prior approval of Central Government for establishment of new undertakings, expansion of undertakings, merger, amalgamation and takeover and appointment of Directors under certain circumstances. The MRTP Limit for MRTP companies was made Rs. 100 Crore. Currently, MRTP act is replaced by Competition Act 2002.

Tiny Sector
The definition of Tiny Unit was changed as a unit having an investment limit of less than Rs. 5 Lakh.

National Renewal Fund to provide safety net for labourers
The Government announced to establish a National Renewal Fund (NRF) to provide a social safety net to the labour. This fund was established in 1992 and two schemes were brought under this- first
Voluntary Retirement Scheme and another Re-Training Scheme for rationalised workers in organised sector.

Key Terms

1. Foreign Investments: Foreign investment involves capital flows from one nation to another in exchange for significant ownership stakes in domestic companies or other assets.

2. Fiscal Deficit: Fiscal deficit, the condition when the expenditure of the government exceeds its revenue in a year, is the difference between the two. Fiscal deficit is calculated both in absolute terms and as a percentage of the country’s gross domestic product (GDP).

3. Foreign Exchange Reserves: Foreign exchange reserves are important assets held by the central bank in foreign currencies as reserves. They are commonly used to support the exchange rate and set monetary policy.

4. Economic Stagnation: Stagnation is a situation that occurs within an economy when total output is either declining, flat, or growing slowly.

5. Current Account Deficits: A current account deficit occurs when the total value of goods and services a country imports exceeds the total value of goods and services it exports.

6. Open Reserved Sector: In order to meet the pace of the globalisation the sectors reserved for the public sectors are now open for private players.

7. Equity Holdings: equity holding means a holding of the capital in a body of persons when the holding entitles the holder to a right to vote, to profits available for distribution and to assets available for distribution on a winding up of that company.

8. FERA: The Foreign Exchange Regulation Act (FERA) was legislation passed in India in 1973 that imposed strict regulations on certain kinds of payments, the dealings in foreign exchange (forex) and securities and the transactions which had an indirect impact on the foreign exchange and the import and export of currency.
9. **FEMA**: Foreign Exchange Management Act, The Central Government of India formulated an act to encourage external payments and across the border trades in India.

10. **Memorandum of Understanding (MoU)**: A memorandum of understanding is an agreement between two or more parties outlined in a formal document.

11. **Import License**: An import license is a document issued by a national government authorizing the importation of certain goods into its territory.

12. **Union Budget**: the Union Budget of a year, also referred to as the annual financial statement, is a statement of the estimated receipts and expenditure of the government for that particular year.

13. **Non-Tax Revenue**: Non-Tax Revenue is the recurring income earned by the government from sources other than taxes.

**TEST YOUR UNDERSTANDING**

1. Government of India started economic reforms in the year
   A) 1991 B) 1948 C) 1956 D) 1980

2. Deficit financing is the means borrowing by Government to meet its deficit from.
   A) State Governments
   B) General Public
   C) Reserve Bank of India
   D) World Bank

3. First Phase Nationalization of banks in India.
   A) 1991 B) 1948 C) 1969 D) 1980

4. The important features of the economic reforms are
   A) Liberalisation
   B) Privatisation
   C) Globalisation
   D) All of the above

5. Industrial licensing system was abolished in the Industrial Policy
   A) Industrial Policy 1948
   B) Industrial Policy 1956
   C) Industrial Policy 1977
   D) Industrial Policy 1991

6. The First Industrial Policy in India in the year.
7. In which year New Industrial Policy was announced.
   A) 1991    B) 1948    C) 1969    D) 1980

8. Which of the Industrial Policy was hailed as “Economic Constitution of India”
   A) Industrial Policy 1980
   B) Industrial Policy 1991
   C) Industrial Policy 1956
   D) Industrial Policy 1948

9. The Industrial Policy declared to establish one District Industries Centre in each district to meet the requirement of industries within that district.
   A) Industrial Policy 1980
   B) Industrial Policy 1991
   C) Industrial Policy 1956
   D) Industrial Policy 1977

10. As per the Industrial Policy Resolution, 1991, What is the allowed limit for FDI.
    A) 49%    B) 50%    C) 51%    D) 52%

    _______________

    ANSWERS

    _______________

INERTACTIVE LINKS

https://en.wikipedia.org/wiki/Economic_liberalisation_in_India
https://dpiit.gov.in/

FOR ADVANCED LEARNERS...

♦ Prepare a document on how globalisation as impacted the local business in your vicinity.

♦ Analyse both advantages and disadvantages of globalisation and privatisation with respect to any particular local business.
Economic Policies

Learning Outcomes:

1. Understand the components in economic policies;
2. Outline the objectives of different economic policies in India;
3. Describe the impact of economic policies over the business;
4. Examine the differences between monetary policy and fiscal policy;
5. Judge the role of RBI in controlling monetary policy processes.

Chapter 6

6.1. Economic Policies

6.2. Competition Act-2002
   6.2.1. Salient Features of Competition Act-2002
   6.2.2. MRTP Act 1969 Vs Competition Act-2002

6.3. Fiscal Policy
   6.3.1. Objectives of Fiscal Policy
   6.3.2. Limitations of Fiscal Policy
   6.3.3. Types of Fiscal Policy
   6.3.4. Components in Fiscal Policy

6.4. Monetary Policy
   6.4.1. Types of Monetary Policy
   6.4.2. Differences between Monetary Policy and Fiscal Policy
   6.4.3. Objectives of Monetary Policy

6.5. Role of RBI in Monetary Policy
   6.5.1. Quantitative Techniques
   6.5.2. Qualitative Techniques
విస్తరించబడిన విషయం

విస్తరించిన విషయాలు ఉపయోగించి ప్రత్యేక ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి శాస్త్రీయ సంస్కృతి యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి.

నిపుణులు నిర్ధారించిన పాత్రులు యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి.

విస్తరించిన విషయం యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి. అతి స్త్రీ యొక్క ముఖ్యమైన గ్రహములు ఉపయోగించాలనుండి ప్రతిభాత్మకమైన రికార్డులు తెలియాలి.
CHAPTER OVERVIEW

Economic policy of Government plays a key role in setting up economic environment in which businesses operate. Government control economic environment with the help of various legislation like companies act, competition act, export and import laws etc. Similarly the two key policy tools of Government are fiscal policy and monetary policy.

Fiscal policy relates to the manner in which Government manages its finances viz. income and expenditure. On how Government manages deficit it is called expansionary or contractionary fiscal policy. Monetary policy refers to the way in which Reserve Bank of India control the money supply and interest rates in the economy using various tools like bank rate, cash reserve ratio etc. The tools can be classified into qualitative and quantitative. Based on how RBI uses them it is said to be following is cheap money policy or tight money policy. In this chapter we study in different policy tools of Government and fiscal and monetary policies of Government along with competition act in detail.
6.1. అంతరిక్షం

ఆ తీవ్ర విషయం కలిగి ఎందుకు ప్రకారానికి, నికిలు నిర్ధారణ, సాధనాలను మాత్రమే సందర్శించడానికి మాట్లాడారు. కానీ అప్పటి విషయం కి విషయాలు మాత్రమే సందర్శించడానికి సాధనాలను మాట్లాడారు. ఆమె అంతరిక్షంలో సంపాదించడానికి మాట్లాడారు. మాట్లాడారు అంతరిక్షంలో సంపాదించడానికి మాట్లాడారు. అంతరిక్షంలో సంపాదించడానికి మాట్లాడారు.
6.1. ECONOMIC POLICIES

Every economy or Government regulates itself or makes laws on issues like setting levels of taxation, Government budgets, the money supply, interest rates and likewise. Economic policy is the way in which Government intends to handle these issues. Most factors of economic policy can be divided into fiscal policy and monitory policy. Fiscal policy is the proposed set of rules by the government to adjust its spending levels and tax rates to monitor and influence the Nation’s economy. Monetary policy deals with central banking actions regarding the money supply and interest rates. Policy is generally directed to achieve particular objectives or policy goals.

OBJECTIVES OF ECONOMIC POLICY

Every policy has some set of goals and objectives which are to be achieved for the purpose of welfare of the Nation. The main objective of the economic policy is to develop the Nation. The goals of the economic policy in developing countries is to promote the economy to ensure growth and development. It is worth to mention here that the concept of economic development is distinct from the concept of economic growth as traditionally defined.

Economic Growth
In developing countries, the principal goal of economic policy is to ensure rapid economic growth. In simplest terms, economic growth refers to an increase in aggregate production in an economy. It leads to an increase in incomes, inspiring consumers to utilize higher levels of production and improves quality of life for better standard of living.

Full Employment
Economic growth enables use of all available resources in the economy. It encourages the increase in production. Due to new businesses and growth in industrialization, there is an opportunity for full employment in the country. Full employment yields the individual security, which, in turn, promotes progress, contributes to dignity of the people of the country.

Better Distribution of Income
In market economies, we can observe inequalities and uneven distribution of the resources and wealth are observed. There may be regional imbalances due to its natural resources and other reasons. Inequitable wealth distribution goes against social welfare. Economic policies are designed so as to reduce the inequalities, equitable distribution of wealth and income and to reduce regional imbalances.

Human Development and Decent Work
Human development index is an indicator of improvement in the quality of life. It is considered to be the important objective of economic development. There are many factors like education and literacy rate, life expectancy, the level of nutrition, consumption of energy through which quality of life can be measured. Also, human development and decent work are the modern goals in growing economies. By designing the good economic policies, a Nation can achieve the objectives of human development and decent work.
అందుకే సాధారణంగా ఏంధ్రా ప్రదేశ్ లో తెలంగాణ లో అంతర్భాగం వచ్చింది. నంది మాములు మీరీ సాధారణంగా ఇతర ప్రాంతాలతో పరిచయం చేయబడింది. బిగియం మాములు ఉన్నత శాసనాలు తెలంగాణ లో అంతర్భాగం వచ్చింది. నంది మాములు ఉన్నత శాసనాలు తెలంగాణ లో అంతర్భాగం వచ్చింది. బిగియం మాములు ఉన్నత శాసనాలు తెలంగాణ లో అంతర్భాగం వచ్చింది. నంది మాములు ఉన్నత శాసనాలు తెలంగాణ లో అంతర్భాగం వచ్చింది.

6.2. మిత్రు లో డివి -2002

Stability of Prices and Rates of Foreign Exchange
Instability in economy adversely affects the growth and the welfare of the Nation. Fluctuations in foreign exchange rates affect international trade and introduce an element of uncertainty into the economic life of the country. Economic policy is a powerful instrument to ensure the economic stability.

Maintenance of Fair Competition
Competition in business is essential for better customer satisfaction and economic growth. It increases the welfare of the Nation. Economic policies of the Nations should ensure effective antimonopoly policy.

Avoidance of Cyclical Fluctuations
Business cycles and trade cycles are the essential feature of free market economies. These refer to regular cyclical fluctuations in economic activity with their own consequences. An important goal of the economic policy is to liberate the economy of those ups-and-downs.

6.2. COMPETITION ACT-2002

The Competition Act, 2002 was enacted by the Parliament of India. This act is introduced to replace MRTP Act 1969. The competition bill was introduced in 2001 in Lok sabha and was passed in December 2002. Competition Act is also known as Anti-Trust Law. This act was applicable to whole of India expect Jammu and Kashmir at the time of introduction. This Act was passed on the recommendations of Sri S.V.S Raghavan Committee which was appointed by the Government of India in October 1999. Committee submitted the report in May 2000 and parliament passed the new law in December 2002 named as The Competition Act- 2002. The provisions of the Competition Act relating to anti competitive agreements and abuse of dominant positions. According to this act, Competition Commission of India (CCI) was established to prevent activities which have an adverse effect of competition in India

Objectives of the Competition Act 2002;

- to protect the interests of the consumers by providing them good products and services at reasonable prices.
- to promote healthy competition in the Indian market.
- to promote the interests of the smaller companies or prevent the abuse of dominant position in the market.
- to prevent those practices which have adverse impact on competition in the Indian markets.
- to ensure freedom of trade in Indian markets.
- to regulate the operation and activities of combinations like acquisitions, mergers and amalgamation.
6.2.1. మాండి అధ్యాపక - 2002 - మాండి అధ్యాపక

మాండి అధ్యాపక-2002 సంవత్సరం ప్రారంభించిన మాండి అధ్యాపక తగ్గించుకోవడానికి మాండి అధ్యాపక తగ్గించుకోవడానికి, మాండి అధ్యాపక అనుమతి నియంత్రణ ప్రాముఖ్యతను ప్రారంభించి ఉండాలి. మాండి అధ్యాపక పదం ప్రారంభించడానికి మాండి అధ్యాపక పదం ప్రారంభించడానికి, మాండి అధ్యాపక పదం ప్రారంభించడానికి, మాండి అధ్యాపక పదం ప్రారంభించడానికి, మాండి అధ్యాపక పదం ప్రారంభించడానికి, మాండి అధ్యాపక పదం ప్రారంభించడానికి, మాండి అధ్యాపక పదం ప్రారంభించడానికి, మాండి అధ్యాపక పదం ప్రారంభించడానికి, మాండి అధ్యాపక పదం ప్రారంభించడానికి,
6.2.1. SALIENT FEATURES OF COMPETITION ACT-2002

Anti-Competitive Agreements
Enterprises, persons or associations of enterprises or persons, including cartels, shall not enter into agreements in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services, which cause or are likely to cause an “appreciable adverse impact” on competition in India. Such agreements would consequently be considered void. The following aspects of agreements can be considered anti-competitive;

- directly or indirectly determine sale or purchase prices,
- limit or indirectly determine sale or purchase prices,
- share the market or source of production or provision of services by allocation of inter alia geographical area of market, nature of goods or number of customers or any other similar way,
- directly or indirectly result in bid rigging or collusive bidding.

There are two types of agreements. The first one is ‘horizontal agreement’. This type of agreements related to co-operation between two or more competing businesses operating at the same level in the market. The second one is vertical agreement. These agreements are between firms at different levels of the supply chain. For instance, a manufacturer of consumer electronics might have a vertical agreement with a retailer according to which the latter would promote their products in return for lower prices.

Abuse of dominant position
If an enterprise imposes directly or indirectly unfair or discriminatory conditions in purchase or sale of goods or services or restricts production or technical development or creates hindrance in entry of new operators, it can be considered as abuse of dominant position. The provisions relating to abuse of dominant position require determination of dominance in the relevant market. Dominant position enables an enterprise to operate independently or effect competitors by action.

Combinations
The Act is designed to regulate the operation and activities of combinations, a term, which contemplates acquisition, mergers or amalgamations. Combination that exceeds the threshold limits specified in the Act in terms of assets or turnover, which causes or is likely to cause adverse impact on competition within the relevant market in India, can be scrutinized by the Commission.

Competition Commission of India
Competition Commission of India is a body corporate and independent entity possessing a common seal with the power to enter into contracts and to sue in its name. It consists of a chairperson, who is to be assisted by a minimum of two, and a maximum of six, other members. It is the duty of the Commission to eliminate practices having adverse effect on competition, promote and sustain competition, protect the interests of consumers and ensure freedom of trade in the markets of India.
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The Commission is also required to give opinion on competition issues on a reference received from a statutory authority established under any law and to undertake competition advocacy, create public awareness and impart training on competition issues. Commission has the power to inquire into unfair agreements or abuse of dominant position or combinations taking place outside India but having adverse effect on competition in India, if any of the circumstances exists:

- an agreement has been executed outside India;
- any contracting party resides outside India;
- any enterprise abusing dominant position is outside India;
- a combination has been established outside India;
- a party to a combination is located abroad and
- any other matter or practice or action arising out of such agreement or dominant position or combination is outside India.

To deal with cross border issues, commission is empowered to enter into any Memorandum of Understanding or arrangement with any foreign agency of any foreign country with the prior approval of Central Government.

**Review of orders of Commission**

Any person aggrieved by an order of the Commission can apply to the Commission for review of its order within thirty days from the date of the order. Commission may entertain a review application after the expiry of thirty days, if it is satisfied that the applicant was prevented by sufficient cause from preferring the application in time. No order shall be modified or set aside without giving an opportunity of being heard to the person in whose favour the order is given and the Director General where he was a party to the proceedings.

**Appeal**

Any person aggrieved by any decision or order of the Commission may file an appeal to the Supreme Court within sixty days from the date of communication of the decision or order of the Commission. No appeal shall lie against any decision or order of the Commission made with the consent of the parties.

**Penalty**

If any person fails to comply with the orders Rs. One lakh for each day during which such non-compliance occurs, subject to a maximum of Rs. Ten crore.

If any person does not comply with the orders or directions issued, or fails to pay the fine imposed under this section, he shall be punishable with imprisonment for a term which will extend to three years, or with fine which may extend to Rs. 25 crores or with both.

Section 44 provides that if any person, being a party to a combination makes a statement which is false in any material particular or knowing it to be false or omits to state any material particular
6.2.2. MRTP రాష్ట్ర 1969 Vs రాష్ట్ర 2002
విషయానికి 1969 రాష్ట్ర 2002 రాష్ట్ర పరమాణు విలువలను వశిస్తుంది. MRTP రాష్ట్ర నం.100 రేము యొక్క విలువ ఉంటుంది, కానీ శాతం మరొక పరమాణువు పైగా విలువ అంశం కస్త ఉంది. మరొక సంఖ్య నిర్మాణం అనేక పరమాణు అంశం కస్త ఉంది. అందుకే, ముఖ్యమైన విభాగాలు ప్రస్తుత సంఖ్య నిర్మాణం 2002 రాష్ట్ర పరమాణువు తదాన్ని అందుబంధం కావచ్చు. 14, 2003 రోజువారి మరొక పరమాణు తదాన్ని అందుబంధం కావచ్చు.

<table>
<thead>
<tr>
<th>ఎంపికులు</th>
<th>MRTP 1969</th>
<th>MRTP 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>MRTP రాష్ట్ర, పరమాణువు అంశం మరియు పరమాణు రాష్ట్ర, అందుకే పరమాణు అంశం పరమాణు పరమాణు వివిధ పరమాణు రాష్ట్ర పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ పరమాణు వివిధ</td>
<td>1969</td>
</tr>
<tr>
<td>2.</td>
<td>మరియు పరమాణు అంపొనento</td>
<td>మరియు పరమాణు అంపొనento</td>
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<td>3.</td>
<td>కస్త పరమాణు అంపొనento</td>
<td>కస్త పరమాణు అంపొనento</td>
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<td>4.</td>
<td>పరమాణు అంపొనento</td>
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<td>5.</td>
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<td>పరమాణు అంపొనento</td>
</tr>
</tbody>
</table>

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knowing it to be material, such person shall be liable to a penalty which shall not be less than Rs. 50 lakhs but which may extend to Rs. One crore.

Functions of the Competition Act-2002:

- to eliminate practices that adversely affect competition in different industries
- to inspire business to be fair, competition and innovative
- to protect interests of consumers; enhance consumer welfare
- to ensure freedom of trade
- to support economic growth
- to give opinion on competition issues in a reference received from statutory authority
- to setup Competition Appellate Tribunal (CAT)

6.2.2. MRTP Act -1969 Vs COMPETITION Act-2002

The Monopoly and Restrictive Trade Practice Act 1969 became obsolete in the present world of cut-throat competition. The MRTP Act prevents the expansion of the companies whose assets were Rs.100 crore, because these companies need to take government permission to expand their business. So, there was a desperate need to shift our focus from the monopoly to the competition. Hence, a new law has been enacted and published in the gazette of India on 14 January, 2003 for bringing competition in the Indian market.

<table>
<thead>
<tr>
<th>S.No</th>
<th>MRTP Act, 1969</th>
<th>Competition Act - 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>MRTP Act, is the first competition law made in India, which covers rules and regulations relating to unfair trade practices</td>
<td>Competition Act, is implemented to promote and keep up competition in the economy and ensure freedom of business.</td>
</tr>
<tr>
<td>2.</td>
<td>It is based on the pre-reforms scenario.</td>
<td>It is based on the post-reforms scenario.</td>
</tr>
<tr>
<td>3.</td>
<td>The objective of the Act is to prevent concentration of economic power to control monopolies, prevent monopolistic and restrictive trade practices.</td>
<td>The objective of the Act is to prevent practices having adverse effect on competition and to promote as well as sustain the competition to protect consumer interests at market place and ensuring freedom of trade.</td>
</tr>
<tr>
<td>4.</td>
<td>Determined by firm’s size.</td>
<td>4 Determined by firm’s structure.</td>
</tr>
<tr>
<td>5.</td>
<td>It lists out 14 offences, which are against the principle of natural justice.</td>
<td>It recognizes only 4 offences, which are deemed to be against the principle of natural justice.</td>
</tr>
<tr>
<td>6.</td>
<td>MRTP Commission has the power to pass only “Cease” and “Desist” orders.</td>
<td>The Competition Act can pass an order to prevent and punish such of those activities, which abuses competition.</td>
</tr>
<tr>
<td>7.</td>
<td>No penalty for offense</td>
<td>Offenses are penalized</td>
</tr>
<tr>
<td>8.</td>
<td>The MRTP Act did not provide for the formation of fund for its activities.</td>
<td>The Competition Act provides competition fund for promotion of competition advocacy</td>
</tr>
</tbody>
</table>
6.3. FISCAL POLICY

The word fiscal has been derived from the word ‘fisk’ which means public or state treasury or Government funds. Fiscal policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence a Nation’s economy. It is closely related and interdependent to monetary policy through which a central bank influences a nation’s money supply. The word Fiscal policy is largely propagated based on the ideas of British economist John Maynard Keynes (1883-1946). Fiscal policy relates to decisions that determine whether and where a government will spend more or less than it receives.

“Fiscal policy” is the term used to describe the actions of a government taken to influence an economy by purchasing products and services from businesses and collecting taxes. It also refers to the economic intent behind the decisions for how the money is used. Governments lower taxes and raise spending to boost the economy if needed; typically, they spend on infrastructure projects that create jobs and income and social programmes. If the economy is doing well, it can reduce spending and increase taxes. Businesses create enough jobs at these times so officials can reduce the amount spent on goods and services from the private sector.

According to Samuelsson “Fiscal Policy concerned with all those activities which are adopted by the Government to the collect revenues and make the expenditure so that economic stability could be attained without inflation and deflation”

6.3.1. OBJECTIVES OF FISCAL POLICY

General objectives of fiscal policy:
- to maintain and achieve full employment in the country;
- to stabilize the general price level in the economy;
- to stabilize the growth rate of the economy;
- to maintain equilibrium in the Balance of Payments and
- to promote the economic development of a country.
6.3.1. ఉక్కే మరుగు విశ్లేషణ

మాత్రమే జీవ్య విలువలు ఉండాలి:

- ఉక్కే పువులు పొడిచినప్పటి మనదిల మాధ్యమం
- ఉక్కే మార్క్స్ విలువలు పొడిచినప్పటి ప్రభావం
- ఉక్కే సంఖ్యలు పొడిచినప్పటి ప్రభావం
- ఉక్కే ఎంతమైన చిత్రాలు ఉండాలి
- ఉక్కే మార్క్స్ విలువలు పొడిచినప్పటి ప్రభావం

మనదిల మార్క్స్ విలువలు ఉండాలి:

మాత్రమే జీవ్య విలువలు ఉండాలి అంటే ఉక్కే మరుగు ఉండాలి. మాత్రమే ఉక్కే మరుగు ఉండాలి అంటే ఉక్కే పొడిచినప్పటి ప్రభావం ఉండాలి. మాత్రమే ఉక్కే పొడిచినప్పటి ప్రభావం ఉండాలి అంటే ఉక్కే మార్క్స్ విలువలు ఉండాలి. మాత్రమే ఉక్కే మార్క్స్ విలువలు ఉండాలి అంటే ఉక్కే సంఖ్యలు ఉండాలి.

మాత్రమే ఉక్కే మరుగు ఉండాలి:

మాత్రమే ఉక్కే మరుగు ఉండాలి అంటే ఉక్కే పొడిచినప్పటి ప్రభావం ఉండాలి. మాత్రమే ఉక్కే పొడిచినప్పటి ప్రభావం ఉండాలి అంటే ఉక్కే మార్క్స్ విలువలు ఉండాలి. మాత్రమే ఉక్కే మార్క్స్ విలువలు ఉండాలి అంటే ఉక్కే సంఖ్యలు ఉండాలి. మాత్రమే ఉక్కే సంఖ్యలు ఉండాలి అంటే ఉక్కే ఎంతమైన చిత్రాలు ఉండాలి.

మాత్రమే ఉక్కే మరుగు ఉండాలి:

మాత్రమే ఉక్కే మరుగు ఉండాలి అంటే ఉక్కే పొడిచినప్పటి ప్రభావం ఉండాలి. మాత్రమే ఉక్కే పొడిచినప్పటి ప్రభావం ఉండాలి అంటే ఉక్కే మార్క్స్ విలువలు ఉండాలి. మాత్రమే ఉక్కే మార్క్స్ విలువలు ఉండాలి అంటే ఉక్కే సంఖ్యలు ఉండాలి. మాత్రమే ఉక్కే సంఖ్యలు ఉండాలి అంటే ఉక్కే ఎంతమైన చిత్రాలు ఉండాలి. మాత్రమే ఉక్కే ఎంతమైన చిత్రాలు ఉండాలి అంటే ఉక్కే మార్క్స్ విలువలు ఉండాలి. మాత్రమే ఉక్కే మార్క్స్ విలువలు ఉండాలి అంటే ఉక్కే సంఖ్యలు ఉండాలి.

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Specific objectives of fiscal policy:
Fiscal policy of India always has two objectives, namely improving the growth performance of the economy and ensuring social justice to the people. Hence, the fiscal policy is designed with following objectives:

Development through effective Mobilisation of Resources: The principal objective of fiscal policy is to ensure rapid economic growth and development. This objective of economic growth and development can be achieved by Mobilisation of Financial Resources. The central and state governments in India have used fiscal policy to mobilise resources. The financial resources can be mobilised through taxation, public savings and private savings.

Reduction in inequalities: Fiscal policy aims at achieving equity or social justice by reducing income inequalities among different sections of the society. The direct taxes such as income tax are charged more on the rich people as compared to lower income groups. Indirect taxes are also more in the case of semi-luxury and luxury items which are mostly consumed by the upper middle class and the upper class. The government invests a significant proportion of its tax revenue in the implementation of Poverty Alleviation Programmes to improve the conditions of poor people in society.

Price Stability and Control of Inflation: One of the main objectives of fiscal policy is to control inflation and stabilize price. Therefore, the government always aims at control the inflation by reducing fiscal deficits, introducing tax savings schemes and thereby productive use of financial resources.

Employment Generation: The government is making every possible effort to increase employment in the country through effective fiscal measures. Investment in infrastructure has resulted in direct and indirect employment. Lower taxes and duties on Small-Scale Industrial (SSI) units encourage more investment and consequently generate more employment. Various rural employment programmes have been undertaken by the Government of India to solve problems in rural areas. Similarly, self employment scheme is taken to provide employment to technically qualified persons in the urban areas.

Balanced Regional Development: There are various projects like building up dams on rivers, electricity, schools, roads, industrial projects etc run by the government to mitigate the regional imbalances in the country. This is done with the help of public expenditure.

Reducing the Deficit in the Balance of Payment: Some time government gives export incentives to the exporters to boost up the export from the country. In the same way import curbing measures are also adopted to check import. Hence the combine impact of these measures is improvement in the balance of payment of the country.

Increases National Income: It’s the strength of the fiscal policy that brings out the desired results in the economy. When the government wants to increase the income of the country then it increases the direct and indirect taxes rates in the country. There are some other measures like reduction in tax rate so that more people get motivated to pay actual tax.
Development of Infrastructure: When the Government of the concerned country spends money on the projects like railways, schools, dams, electricity, roads etc to increase the welfare of the citizens, it improves the infrastructure of the country. An improved infrastructure is the key to further speed up the economic growth of the country.

Foreign Exchange Earnings: When the Central Government of the country gives incentives like, exemption in custom duty, concession in excise duty while producing things in the domestic markets, it motivates the foreign investors to increase the investment in the domestic country.

6.3.2. LIMITATIONS OF FISCAL POLICY

Although fiscal policy gained prominence during depressions and economic stability of a country, yet its practical application has a number of problems or limitations.

Policy Lags:
There is generally some intervals between the time when a particular action is needed and the time when the fiscal measure is being performed. The duration of this interval determines the extent to which a specific fiscal measure can be effective. There are three types of lags viz. recognition lag, administrative lag and operational lag. These lags may not help in reach the targets and objectives.

Forecasting:
Another most serious limitation of fiscal policy is the practical difficulty of observing the coming events of economic instability. Unless, it is rightly observed that the amount of revenue to be raised, the amount of expenditure to be incurred or the nature and extent of budget balance to be framed cannot be suitably planned. In fact, success of fiscal measures depends on the accurate predictions of various economic activities. In its absence, it proves to be a little bit erratic.

Correct size and nature of Fiscal Policy:
The most important necessity on which the success of fiscal policy will depend is the ability of public authority to frame the correct size and nature of fiscal policy on the one hand and to foresee the correct timing of its application on the other. It is, however, too much to expect that the government would be able to correctly determine the size, nature of composition and appropriate execution-time of fiscal policy.

Adverse effect on redistribution of income:
It is felt that fiscal policy measures redistribute income, the actual effect will be uncertain. If income is redistributed in favour of the low-income classes whose marginal tendency to consume is high, the effect will be increase in total demand. But the fiscal action will be contraction if larger part of the additional income goes to people having higher marginal propensity to save.

Self-offsetting effect:
The compensatory fiscal policies of the Government may discourage private investment, since the private entrepreneurs have to face a competition from public enterprises in securing labour, raw
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materials and finances. Moreover, increased involvement of the government in economic activity at the onset of recession strengthens the pessimistic expectations of the private entrepreneurs. The expansion of public spending may be associated with a restriction of private spending. Consequently, the fiscal measures may be self-offsetting.

**Reduction in National Income:**
Balanced budget multiplier as a fiscal weapon can be gainfully applied during depression is conditioned by the fact of marginal propensity to spend of the recipients of public expenditure being larger than or, at least, equal to that of the taxpayers. In case, it becomes smaller than the taxpayers, the fiscal programmes under balanced budget will bring about reduction in the National Income.

**Solution for Unemployment:**
The purpose of fiscal policy will be defeated if the policy can not maintain a rising supply level of work effort. The money National Income will rise with increase in productive efficiency and increased supply of work effort. But, if the tax measures are stringent and too high, they will certainly affect the incentive to work. This is an important limitation of fiscal policy.

**Adverse effect on debt management:**
The use of fiscal instruments during unemployment and depression is often associated with the subsequent problem of debt management. Because deficit budgeting is the normal fiscal cure, public debt is made for financing it. And if the process of recovery from depression is long, the creation of budget deficit year after year will create a huge problem of debt repayment and debt management.

**6.3.3. TYPES OF FISCAL POLICY**
There are three types of the Fiscal Policies viz. neutral, expansionary and contractionary.

**Neutral Fiscal Policy**
A neutral fiscal policy means that total government spending is fully funded by the tax revenue. The government takes a neutral fiscal policy stance when the economy is in a state of equilibrium.

**Expansionary Fiscal Policy**
An expansionary fiscal policy means that the government spending is more than tax revenue. Government needs to spend more than its revenue during the time of recessions. This is because recession occurs when there is a general slowdown in economic activity. Governments usually respond to recessions by adopting expansionary fiscal policies, such as increasing money supply, increasing government spending and decreasing taxation. When the tax is decreased, there is more money left with people and they can spend more.

**Contractionary fiscal policy**
Contractionary fiscal policy occurs when government spending is lower than tax revenue. When the tax revenue of the government is more, the excess money can be used to pay the government debt. It is generally adopted to control the inflation in an economy. When Government spends less on welfare activities and increases taxation, less money will be left with the people to spend, and this will result in reduction of demand which will cut down inflation.
6.3.3. దీని బయలు - ఉదాహరణ
ఉదాహరణలు లభించిన ప్రత్యేక ఉదాహరణ ఉండవచ్చు. ఉదాహరణలు ప్రదాన వచ్చింది. 

6.3.4. దీని బయలు లభ్యమవుతుంది
ఉదాహరణలు లభించిన ప్రత్యేక ఉదాహరణ ఉండవచ్చు. ఉదాహరణలు ప్రదాన వచ్చింది.
6.3.4. COMPONENTS OF FISCAL POLICY

Four key components of Fiscal Policy are as follows:

- **Taxation Policy** – The Government gets its revenue by imposing taxes both direct and indirect. It is very important for the Government to follow a judicious taxation policy and impose correct tax rates because of following two reasons – higher taxes will cause a reduction in the purchasing power of the people leading to decrease in production and investment and lower taxes will leave more money with the general public leading to high spending levels and thus high inflation.

- **Expenditure Policy** – Government Expenditure includes revenue expenditure and capital expenditure. The government budget is the most important instrument embodying the expenditure policy of the government. The budget is also used for deficit financing i.e. filling the gap between Government spending and income.

- **Investment & Disinvestment Policy** – Optimum levels of domestic as well as foreign investment are needed to maintain economic growth. Decisions have to be made open for private investment, foreign investment forms an important part of Fiscal Policy. Governments can raise money through disinvestment of public sector units moreover, the efficiency of those units can be enhanced through strategic disinvestment.

- **Debt and Surplus Management** – If the Government received more than it spends, it is called a surplus. If the Government spends more than income, then it is called a deficit. To fund the deficit, the Government has to borrow from domestic or foreign sources. It can also print money for deficit financing. These decisions of the Government, whether to go for deficit financing or not and the manner of the deficit financing can have long term effect on the economy.
6.4.1. మార్గం నుంచి ప్రత్యేకం

6.4.2. వేతన మార్గం మలికాలు ప్రత్యేకం రానం జాతి
6.4. MONETARY POLICY

Monetary policy is designed, executed and controlled by the Reserve Bank of India. Monetary policy includes decision such as control of money supply in the economy by controlling interest rates, regulation of financial institutions. Monetary policy consists of the management and control of money supply and changing interest rates by RBI. With the help of monetary policy, a Central Bank manage the currency levels in the country with the help of interest rates and lending levels of credit.

6.4.1. TYPES OF MONETARY POLICY

There are two types of monetary policy. One is tight monetary policy and the other is cheap money policy.

**Tight money policy**

Tight monetary policy tends to decrease the money supply. At the time of inflation, this policy will help the Nation. RBI enhances the interest rates on lending facilities to commercial banks and in-turn the commercial banks also impose high interest rates to their customers on loans. Ultimately, the public are disinterested to borrow money from banks. The money supply from RBI to commercial Banks and Commercial Banks to Public will stop due to high interest rates.

**Cheap money policy**

Cheap monetary policy tends to increase the money supply. At the time of deflation and economic depression, this policy will help the Nation. In this policy RBI wishes to enhance the money supply by decreasing the interest rates to commercial banks and in-turn commercial banks reduce the interest rates on loans to customers. The public will show the interest to take loans from banks and automatically the flow of money will increase.

6.4.2. DIFFERENCES BETWEEN MONETARY POLICY AND FISCAL POLICY

Monetary policy and fiscal policy are two different tools that have an impact on the economic activity of a country. Monetary policies are formed and managed by the central banks of a country and such a policy is concerned with the management of money supply and interest rates in an economy. Fiscal policy is related to the way a government is managing the aspects of spending and imposing taxes. It is the Government’s way of stabilising the economy and helping in the growth of the economy.

Governments can modify the fiscal policy by bringing measures and changes in tax rates to control the fiscal deficit of the economy. Below are certain points of difference between the monetary and fiscal policy
మాత్రమే ఇతర విషయాలు వాటితో ప్రారంభం విరాళించవచ్చు. అందువలన మన సంస్థ తన సహకరించే ఇతర ఐక్యాలతో మేలు చేసినప్పటి విషయాలను వివరించవచ్చు.

మాత్రమే ఇతర విషయాలు వాటితో ప్రారంభం విరాళించవచ్చు. అందువలన మన సంస్థ తన సహకరించే ఇతర ఐక్యాలతో మేలు చేసినప్పటి విషయాలను వివరించవచ్చు.

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6.4.3. మాత్రమే విషయాలు - ప్రారంభం

మాత్రమే విషయాలు వాటితో ప్రారంభం విరాళించాలను వివరించవచ్చు. అందువలన మన సంస్థ తన సహకరించే ఇతర ఐక్యాలతో మేలు చేసినప్పటి విషయాలను వివరించవచ్చు. మాత్రమే ఇతర విషయాలు వాటితో ప్రారంభం విరాళించాలను వివరించవచ్చు.
Basis | Monetary Policy | Fiscal Policy
--- | --- | ---
Definition | It is a financial tool that is used by the central banks in regulating the flow of money and the interest rates in an economy | It is a financial tool that is used by the central government in managing tax revenues and policies related to expenditure for the benefit of the economy
Management Measures | Central Bank | Ministry of Finance
It measures the interest rates applicable for lending money in the economy | measures the capital expenditure and taxes of an economy.
Focus Area | Stability of an economy | Growth of an economy
Impact on Exchange rates | Exchange rates improve when there is higher interest rates | It has no impact on the exchange rates
Targets | Monetary policy targets inflation in an economy | Fiscal policy does not have any specific target.
Impact | Monetary policy has an impact on the borrowing in an economy | Fiscal policy has an impact on the budget deficit

### 6.4.3. OBJECTIVES OF THE MONETARY POLICY

![Fig: 6.2](image)

**Regulate Inflation**
Monetary policies can target inflation levels. A low level of inflation is considered to be healthy for the economy. If inflation is high, tight monetary policy can address this issue.

**Reduce Unemployment**
Monetary policies can influence the level of unemployment in the economy. For example, a cheap monetary policy generally decreases unemployment because the higher money supply stimulates business activities that lead to the expansion of the job market.

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8.5 సంకేతాలలో RBI చేసిన సంఖ్యలు 
నీటి సంచాలనలో రెండవ శతాబ్దం నంతా సంచాలనలు నిర్మాణం చేసిన తెలంగాణ సంస్థలు. కంటే రెండవ శతాబ్దం నంతా సంచాలనలు నిర్మాణం చేసిన తెలంగాణ సంస్థలు. దీనిలో పెద్ద పార్ట్ నంతా సంచాలనలు నిర్మాణం చేసిన తెలంగాణ సంస్థలు. ఈ సంచాలనలు నంతా సంచాలనలు నిర్మాణం చేసిన తెలంగాణ సంస్థలు.
Regulate Currency exchange rates
Using its fiscal authority, a Central Bank can regulate the exchange rates between domestic and foreign currencies. For example, the Central Bank may increase the money supply by issuing more currency. In such a case, the domestic currency becomes cheaper relative to its foreign counterparts.

Stabilising the Business Cycle
Monetary policy has an important effect on both actual GDP and potential GDP. Industrially advanced countries rely on monetary policy to stabilise the economy by controlling business. But it becomes passive in deep recessions.

Reasonable Price Stability
Price stability is the most important goal which can be pursued most effectively by using monetary policy. In a developing country like India, the acceleration of investment activity in the face of a fall in agricultural output creates excessive pressure on prices. The food inflation in India is a proof of this. In such a situation, monetary policy has much to contribute to short-run price stability.

Faster Economic Growth
Monetary policy can promote faster economic growth by making credit cheaper and more readily available. Industry and agriculture require two types of credit short-term credit to meet working capital needs and long-term credit to meet fixed capital needs. The need for these two types of credit can be met through commercial banks and development banks. Easy availability of credit at low rates of interest stimulates investment or expansion of society’s production capacity. This in its turn, enables the economy to grow faster than before.

Exchange Rate Stability
In an ‘open economy’ that is, one whose borders are open to goods, services, and financial flows the exchange-rate system is also a central part of monetary policy. In order to prevent large depreciation or appreciation of the rupee in terms of the US dollar and other foreign currencies under the present system of floating exchange rate the central bank has to adopt suitable monetary measures.

Increases Productivity
The goals of monetary policy is to promote maximum productivity. Reserve Bank of India increases the supply of money in the situations like crisis and deflation. Due to increase in supply of money, there is a growth in economy and purchase power of the people. Automatically there is a growth in production resulting the employment generation.

6.5. ROLE OF RBI IN MONETARY POLICY
Central Banks use various tools to implement monetary policies. Reserve Bank of India have a key role in controlling the monetary levels in India. These tools can be divided into quantitative tools and qualitative tools. The following are the widely utilized policy tools by Reserve Bank of India to regulate and control the supply of money in the country.
6.5.1. Payment Systems

The Reserve Bank of India (RBI) plays a significant role in the development of payment systems. The RBI has been instrumental in promulgating policies that have led to the growth and development of payment systems in India. The RBI has been proactive in ensuring that the payment systems in India are secure, efficient, and accessible to all segments of the population. The RBI’s efforts have been instrumental in the development of the National Electronic Funds Transfer (NEFT) system, which has revolutionized the way transactions are conducted in India. The NEFT system has made transactions faster, cheaper, and more secure. The RBI has also been at the forefront of promoting the use of digital currency and digital payments in India. The RBI’s initiatives have been pivotal in the development of the country’s financial infrastructure. The RBI’s role in the development of payment systems has been crucial in enabling the growth of the Indian economy. The RBI’s efforts have been recognized globally, and the RBI is considered one of the leading central banks in the world.
6.5.1. QUANTITATIVE TOOLS

The quantitative tools are also known as conventional tools or traditional tools used by the RBI. These instruments are related to the quantity and volume of the money. These instruments are designed to control the total volume of money of the bank credit in the economy. These instruments are indirect in their nature and are used to influence the quantity of credit in the economy. The main tools are bank rate, open market operations, repo rate, reverse repo rate, legal reserve ratios (Statutory Liquidity Ratio, Cash Reserve Ratio).

Bank Rate
The bank rate is the minimum rate at which the central bank lends money and rediscounts first-class bills of exchange and securities held by commercial banks. When RBI gets a hint that inflation is rising, it increases the bank interest rates so that commercial banks borrow less money and the inflation stays under control. Commercial banks also increase their lending rate to the public and business enterprises so that people borrow less money, which will eventually help to control inflation. On the other hand, when RBI reduces bank rates, that means borrowing for commercial banks will become cheap and easier. This allows the commercial banks to lend money to borrowers on a lower lending rate, which will further encourage borrowers and businessmen.

Open Market Operations (OMO)
The sale and purchase of security in the long run/short run by the RBI in the money market is known as open market operations. This is a popular instrument of the RBI’s monetary policy. If RBI sells securities in the money market, private and commercial banks and even individuals buy it. This leads to a reduction in the existing money supply as money gets transferred from commercial banks to the RBI. On the other hand, when RBI buys securities from the commercial banks, the commercial banks that sell receive the amount they had invested in RBI before.

Repo Rate
A Repo rate is a rate at which commercial banks borrow money by selling their securities to the RBI to maintain liquidity. Commercial banks sell their securities in case of a shortage of funds or due to some statutory measures. It is one of the main instruments of the RBI to keep inflation under control.
6.5.2. రమానుజ్య కారకాలం
ప్రస్తుతానికం విలువల కోసం అంతా సంపాదించడానికి ప్రతి అంశానికి వారియర్ అడవిని అందించారు. ఏ విశేషాలం యేదినప్పటి ఇప్పుడు అంతే వారియర్ విషయాలను నిమ్మకించారు. పాతాలు మరియును పనిచేసిన ప్రస్తుతానికం సంఖ్యలు మరియు అంతర్భాగాలను ఉపయోగించారు. ఆధారాన్ని ఉపయోగించి ప్రతి పాతాల మంచిని అంతర్భాగాలను పంచారు. ముడి పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు. మూలం పాతాల మంచిని అంతర్భాగాల మంచిని పంచారు.
Reverse Repo Rate
Sometimes, the RBI borrows money from commercial banks when there is excess liquidity in the market. In that case, commercial banks get benefits by receiving the interest on their holdings with the RBI. At the time of higher inflation in the country, RBI increases the reverse repo rate that encourages banks to park more funds with the RBI, which will help it earn higher returns on excess funds.

Statutory Liquidity Ratio (SLR)
SLR is a minimum percentage of deposits that a commercial bank has to maintain in the form of liquid cash, gold or other securities. It is basically the reserve requirement that banks are expected to keep before offering credit to customers.

Cash Reserve Ratio (CRR)
Under the CRR the commercial banks have to hold a certain minimum amount of deposit as reserves with the central bank. The percentage of cash required to be kept in reserves as against the bank’s total deposits, is called the CRR.

6.5.2. QUALITATIVE TOOLS
Qualitative instruments are also known as selective instruments of the RBI’s monetary policy. These instruments are used for discriminating between various uses of credit; for example, they can be used for favouring export over import or essential over non-essential credit supply. This method has an influence on both borrowers and lenders. Following are some selective tools of credit control used by the RBI

Margin Requirement
Margin is referred to the certain proportion of the loan amount that is not offered or financed by the bank. Change in marginal can lead to change in the loan size. This instrument is used to encourage the credit supply for the necessary sectors and avoid it for the unnecessary sectors. That can be done by increasing the marginal of unnecessary sectors and reducing the marginal of other needy sectors. Suppose, RBI feels that more credit supply should be allotted to the agricultural sector, then RBI will reduce the margin, and even 80-90 percent of the loan can be allotted.

Moral Suasion
Moral suasion refers to the suggestions to commercial banks from the RBI that helps in restraining credits in the inflationary period. RBI implies pressure on the Indian banking system without taking any strict action for compliance with rules. Through monetary policy, commercial banks get informed of the expectations of RBI. The RBI can issue directives, guidelines, suggestions for commercial banks regarding reducing credit supply for speculative purposes under the moral suasion.

Rationing of Credit
RBI fixes a credit amount to be granted for commercial banks. Credit is given by limiting the amount available for each commercial bank. For certain purposes, the upper credit limit can be fixed, and banks have to stick to that limit. This helps in lowering the bank’s credit exposure to unwanted sectors. This instrument also controls the bill rediscounting.
KEY TERMS

1. **Business Cycles:** Business cycles are comprised of concerted cyclical upswings and downswings in the broad measures of economic activity.

2. **Trade Cycles:** A trade cycle refers to fluctuations in economic activities specially in employment, output and income, prices, profits etc.,

3. **Cyclical Fluctuations:** Cyclical fluctuations is a term used to describe oscillations that occur over long periods about the secular trend line or curve of a time series.

4. **Bid Rigging:** Bid rigging is an illegal practice in which competing parties collude to choose the winner of a bidding process while others submit.

5. **Amalgamations:** Amalgamation is the combination of two or more companies into a new entity by combining the assets and liabilities of both entities into one.

6. **Competition Appellate Tribunal (CAT):** The Competition Appellate Tribunal is a statutory organization established under the provisions of the Competition Act, 2002 to hear and dispose of appeals against any direction issued or decision made or order passed by the Competition Commission of India.

7. **Central Bank:** A central bank is a financial institution that is responsible for overseeing the monetary system and policy of a nation or group of nations, regulating its money supply, and setting interest rates.

8. **Tax Savings Schemes:** Tax Saving Schemes is the best way to make investments to save tax by claiming deductions available under the provisions of the Income Tax Act, 1961.

9. **Export Incentives:** Export incentives are a form of economic assistance that governments provide to firms or industries within the national economy, in order to help them secure foreign markets.
10. **Recognition Lag**: Recognition lag is the time delay between when an economic shock, such as a sudden boom or bust, occurs and when economists, central bankers, and the government realized that it has occurred.

11. **Administrative Lag**: Administrative lag arises from the time it takes to enact the needed statutes. Operational lag results from how much time it takes for the effect of tax changes to be realized and be felt.

12. **Operational Lag**: Period between the point at which a policy or procedure is implemented, and the point when it starts to take effect.

13. **Budget Deficit**: A budget deficit occurs when expenses exceed revenue and indicate the financial health of a country.

14. **Government Debt**: Public debt is the total amount, including total liabilities, borrowed by the government to meet its development budget.

**TEST YOUR UNDERSTANDING**

1. When did the Competition Act, 2002, come into force?
   A. 01 April 2004  
   B. 31 March 2003  
   C. 01 May 2002  
   D. 23 April 2003

2. Which section of the Competition Act, 2002 deals with Penalty for failure to comply with directions of Commission and Director-General?
   A. Section 47 of the Competition Act, 2002  
   B. Section 44 of the Competition Act, 2002  
   C. Section 43 of the Competition Act, 2002  
   D. Section 49 of the Competition Act, 2002

3. **Fiscal policy in India is formulated by**
   A. Reserve Bank of India  
   B. Planning Commission  
   C. Finance Ministry  
   D. Securities and Exchange Board of India
4. Fiscal deficit in the union budget is equal to
   A. Net increase in internal and external borrowings
   B. The difference between current expenditure and current revenue
   C. The sum of monetized deficit and budgetary deficit
   D. Net increase in the union government’s borrowing from the Reserve Bank of India

5. Which is not in the types of Fiscal Policy
   A. Neutral Fiscal Policy
   B. Expansionary Fiscal Policy
   C. Contractionary fiscal policy
   D. Positive Fiscal Policy

6. Monitory Policy is concerned with
   A. Central Government
   B. State Governments
   C. State Bank of India
   D. Reserve Bank of India

7. Which of the following is not the work of RBI?
   A. Bank of the banks
   B. Credit controller
   C. Custodian of foreign currency
   D. Allocating funds directly to the farmers for agricultural development

8. Which of the following fix the Repo Rate and Reverse Repo Rate.
   A. Comptroller and Auditor General
   B. Central Government
   C. State Bank of India
   D. Reserve Bank of India

9. The following is not used as a Monitory policy instrument by Reserve Bank of India
   A. Bank Rate
   B. Repo Rate
   C. Statutory Liquidity Ratio
   D. Lending to Business Entities
10. Which is not a qualitative tool of RBI
   A. Margin Requirement
   B. Moral Suasion
   C. Rationing of Credit
   D. Selective credit control

   ANSWERS

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   INERACTIVE LINKS

   https://egyankosh.ac.in/bitstream/123456789/12646/1/Unit-6.pdf
   https://www.rbi.org.in/

   FOR ADVANCED LEARNERS...
   Visit RBI website. Go through the Vision and Mission of RBI. Observe the press releases archives.
   Go through the concepts of Quantitative Easing followed by U.S Economy to recover from recession.
Social and Political Environment

Learning Outcomes:
After reading this chapter, the student should be able to:
1. understand the nature of society and complexities of the environment.
2. understand the objectives of the business seeking society.
3. assess the Political Scenario.
4. examine the Political Stability.
5. relate between Government and Business.

Chapter 7

7.1. Social Environment
7.1.1. Factors influencing social environment
7.1.2. Social Environment Indicators

7.2. Social Responsibility
7.2.1. Responsibility of Business towards Stakeholders
7.2.2. Barriers of Social Responsibility

7.3. Political Environment
7.3.1. Political Institutions
7.3.2. Responsibilities of Business towards Government
7.3.3. Responsibilities of Government towards Business
మాత్రమే అంచనా

సమాధాన అంచనా

స్థాయిలో సంభవించిన సమాధానానికి అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా 

1. కారకార్యం
2. ప్రతిపాదిత అధ్యాపకం
3. పద్ధతిప్రధానం

సరిచేసినట్లు అనేమంత దానికి ప్రత్యేకానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి మాత్రమే అంచనా అంచనా అంశంగా సాధనాలు ప్రదానం చేయడానికి లక్షణానికి 

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CHAPTER OVERVIEW

The reader of this chapter gets an understanding of the Nature of Society and Complexities of Business in the present scenario of Globalisation. The study of the chapter gives awareness of Social Environment – Demand for opportunities for weaker sections, backward classes, minorities and women; Demand for equal status for women with men in all fields. Upliftment of the society depends on Education, long and healthy life span of people.

The Social Responsibility of Business is to protect the interest of the internal and the external stakeholders. They are Owners and Employees, Government, Community, Consumers/Customers, Suppliers and Creditors etc. The study of Political Environment gives ample knowledge of the three important organs of Indian Constitution.

1. Legislature
2. Executive and

The three important organs are independent in nature. However, the Supreme Court interferes for settling any issues of the Administration and people.
7.1.  जलवायुधरोधी वनस्पति

वनस्पतियों के रूप में जलवायुधरोधी वनस्पति के लिए जलवायु आमतौर पर आदिवासी होते हैं। अनेक स्थलों में, जलवायु का परिवर्तन अधिक संभवतः अन्य वनस्पति के साथ भी हो सकता है, लेकिन जलवायुधरोधी वनस्पति के लिए यह और भी महत्वपूर्ण है। नीचे के पाठ से यह स्पष्ट हो जाएगा कि जलवायुधरोधी वनस्पति के लिए क्या प्रचलित विवरण हैं।

7.1.1. जलवायुधरोधी वनस्पति का सारांश

- जलवायुधरोधी वनस्पति का सारांश जलवायुधरोधी वनस्पति के लिए आवश्यक है।
- जलवायुधरोधी वनस्पति के लिए जलवायु आमतौर पर आदिवासी होते हैं।
- जलवायु का परिवर्तन अधिक संभवतः अन्य वनस्पति के साथ भी हो सकता है, लेकिन जलवायुधरोधी वनस्पति के लिए यह और भी महत्वपूर्ण है।
- नीचे के पाठ से यह स्पष्ट हो जाएगा कि जलवायुधरोधी वनस्पति के लिए क्या प्रचलित विवरण हैं।

7.1.2. जलवायुधरोधी वनस्पति - परिचय

- जलवायुधरोधी वनस्पति का सारांश जलवायुधरोधी वनस्पति के लिए आवश्यक है।
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7.2. जलवायुधरोधी वनस्पति के लिए अत्यधिक आवश्यक

जलवायुधरोधी वनस्पति के लिए अत्यधिक आवश्यक हैं। जलवायु का परिवर्तन अधिक संभवतः अन्य वनस्पति के साथ भी हो सकता है, लेकिन जलवायुधरोधी वनस्पति के लिए यह और भी महत्वपूर्ण है। नीचे के पाठ से यह स्पष्ट हो जाएगा कि जलवायुधरोधी वनस्पति के लिए क्या प्रचलित विवरण हैं। अत्यधिक आवश्यकता के लिए जलवायुधरोधी वनस्पति के लिए अत्यधिक आवश्यक हैं।
7.1 SOCIAL ENVIRONMENT

Social environment depends much on the nature of society ie., development of social organizations and social institutions like caste, religion, professions of class structure etc. Example: Weavers Society, Milk Production Cooperative Society etc.,

Social environment basically comprises customs and traditions of the society wherein the business exists. Standard of living, habits, preferences taken and education level of the people residing in the society where the business is existing are also included in the social environment. Businessmen cannot neglect various components of social environment though all these components do not show any impact in short span on business. But all these factors will have a great influence on the business in the long run.

7.1.1. FACTORS INFLUENCING SOCIAL ENVIRONMENT

- Demand for opportunities in employment for backward classes, weaker sections, minority and women.
- Demand for equal pay/wage for equal work without any discrimination basing on sex ie., male and female
- Demand for equal status for women on par with men without showing any discrimination basing on caste, religion, race or place.
- Demand for sophisticated equipment or tools and luxury items for the middle class.
- Social mobility from middle class to upper class and manual to middle class.
- The social movement to improve the educational level of girl child

7.1.2. SOCIAL ENVIRONMENT – INDICATORS

- Standard of living
- Education - Compulsory education to people for upliftment of all sections of the society in the fields of science and Technology; Art And Culture.
- Health and long life - Allocation of adequate funds to preserve and keep health of the people living in the country.

7.2. SOCIAL RESPONSIBILITY

The Constitution of India gifts every individual to enjoy status, fraternity, liberty, equality and freedom in addition to many fundamental rights. At the same time the citizens of India owe a lot to the society. It is the responsibility of every citizen to be answerable to the society within the legal frame work as he depends much upon the society.
ప్రతిభాతోకి అనేకం పిండిపాతి ఇవి రాయితీసుకొంటే తాన ప్రస్తుతించారు. ఈప్రాంగణం ప్రతి పాలకం అనేవి పంపించారు. ఇటీ ప్రాంగణం మన పాలకం అనేవి పంపించారు. ప్రతిభాతోకి అనేకం పిండిపాతి ఇవి రాయితీసుకొంటే తాన ప్రస్తుతించారు. ఈప్రాంగణం ప్రతి పాలకం అనేవి పంపించారు. ఇటీ ప్రాంగణం మన పాలకం అనేవి పంపించారు. 

7.2.1. ప్రతిభాతోకి అనేకం పిండిపాతి ఇవి రాయితీసుకొంటే తాన ప్రస్తుతించారు. ఈప్రాంగణం ప్రతి పాలకం అనేవి పంపించారు. ఇటీ ప్రాంగణం మన పాలకం అనేవి పంపించారు. ఇటీ ప్రాంగణం మన పాలకం అనేవి పంపించారు. ఈప్రాంగణం ప్రతి పాలకం అనేవి పంపించారు. ఈప్రాంగణం ప్రతి పాలకం అనేవి పంపించారు. ఈప్రాంగణం ప్రతి పాలకం అనేవి పంపించారు.
Likewise, business also depends much on the society to fetch various inputs needed for business. They may be money, human resources, technology and other expertise skills. Business exchanges goods and services for money. It means business searches for potential market where products are sold. Market is one of the segments in the society. It seems business totally depends on the society to find suitable buyers and customers to sustain consistently in the market. Being dependent, business has an obligation towards society. The obligation otherwise is known as social responsibility of business. Hence, social responsibility is understood as an obligation of business to tend towards the welfare of the society along with their personal interest of earning profits.

However, it is the social responsibility of the business not to work solely for maximization of profits but should seek the welfare of the society as well. Business does not exist in isolation. Every segment of the society aids for the success of business. Hence it is the responsibility of the business to seek the welfare of various segments of the society.

Social responsibility of business was there in good olden days also. In times of natural calamities like drought, floods, cyclones the affluent businessmen of such area used to contribute for food, clothing and shelter to the needy. Our ancestors used to tell us the magnificent stories how the leading businessmen look after the welfare of the poor in times of crisis. As Mahatma Gandhiji said “That a customer is not dependent on us. But we i.e. the business houses depend on the customer. We are not serving him. He gives an opportunity to serve”. It is very important for the business to strike a balance between profit maximization and welfare of the society.

7.2.1. RESPONSIBILITY OF BUSINESS TOWARDS STAKEHOLDERS

Business is a socio-economic institution. Hence, it is responsible towards different interested groups. The main objective of every business unit is earning profit. Though profit making is the main objective of business with values and ethics, it shall seek the welfare of different groups like employees, consumers/customers, Government, environment, community, owners, suppliers and creditors and inter-business firms.

Employees

No organization is successful without integration and heartful co-operation of the workers or employees. Responsibility of business towards employees/workers is highly essential. Business has to provide good working conditions and has to pay fair and generous wages/salaries to the workers. The Fig. 7.1. shows the stake holders of business.

Most important responsibility of business is to appreciate the talent of employees for their good work and conduct. It elevates the morale of employees and recognizes their personality.

Consumers

Consumers are the backbone for every business. Being so much dependent, business has a definite responsibility towards consumers, as consumers/customers are the foundation for business. Responsibility of business towards consumers concentrates on the following:
చూడండి. నాటికి ఉన్నది ప్రత్యేకత అయ్యింది బిందువులు, తప్ప ప్రత్యేకత అయ్యింది తోకలు.

సమాచారం: కార్యక్రమంలో ఉన్నది ప్రత్యేకత అయ్యింది బిందువులు, తప్ప ప్రత్యేకత అయ్యింది తోకలు.

Fig: 7.1
Quality: Quality goods and services should be produced and supplied seeking the welfare of the consumers. Availability of goods and services should be within the reach of the consumers, avoiding exploitation due to artificial scarcity. Hence, the selection of channel of distribution is one of the most important concepts to make goods easily available to the consumers. While launching a new product or service, the business has to think thoroughly about preferential tastes and considerations of the consumers.

Sales Promotion: Consumers are informed about the details and uses of the products available in the market through felicitous advertisement. Advertisement has to educate the consumers to avoid adulteration and poor quality of goods. Proper information is to be given to consumers to avoid use of spurious products.

Supply of right quantity and quality of goods and services at affordable prices to different classes of consumers is highly appreciated. Befitting mechanism is to be provided to address the grievances of customers/consumers. ‘CONSUMERISM’ is very active now a days as the Government enacted ‘Consumer Protection Act, 1986’ to safeguard the interests of consumers.

Government

Business houses are expected to bear a number of responsibilities to the Government.

Payment of Taxes: Taxes paid by business firms form a major source of revenue to the Government. It is the responsibility of business units to pay taxes honestly and promptly on their sales and inputs. Proprietors of business firms have to deduct tax before payment of salaries and wages to their employees and remit the collection to the Government.

Participation in voluntary programmes: It is the responsibility of business firms to come out voluntarily to render service to the society on behalf of the Government participating in relief operations in times of calamities like cyclones, floods, earth quakes and other pandemic situations.

Furnishing Information: It is the responsibility of the leaders of the business firms to feed necessary information for formulating new rules and regulations.

Service to the Government: The leader of the business offer service to the Government sending delegates along with government authorities to foreign countries for exploring the prospects of trade and industry in our country.

Government Contracts: Government announces various projects for the welfare and development of the society inviting tenders from suitable business houses. Many business houses bid for contracts of the government. The business firm qualified in the bid has to carry out the projects according to the required specifications and standards.
Environment:
It is the basic responsibility of every citizen to protect the environment to offer a promising future to the next generations. Business is also not an exception from this primary duty and responsibility of protecting the environment. Protection of environment is given great importance all over the world. To protect the environment, the following steps are to be taken by business:

Conservation of Natural Resources
Natural resources are a valuable gift to the human beings. They are scarce having the characteristic of exhausting at a higher rate. They must be used judiciously. It is the responsibility of citizens as well as business houses to find out alternative resources to meet the needs of people. There are several ways to conserve natural resources such as:

- Using less water.
- Using renewable energy.
- Turning off lights.
- Recycling.
- Selecting reusable goods.
- Managing thermostat.

Pollution Control
Suitable steps must be taken for environmental engineering to prevent all sorts of pollution. A variety of ways and means are applied to arrest damage done to the environment by the discharge of harmful substances. The industrial waste and sewage should be disposed of with utmost care so as to protect environment. If possible re use and recycling methods are to be adopted to minimize pollution.

We have been facing severe problems due to
- Air pollution.
- Water pollution.
- Sound pollution and
- Soil contamination.

National Government established Central Pollution Control Board on 22nd September, 1974 to prevent all sorts of pollution.

Community
Responsibility of business towards community or society is a moral obligation. A part of profits of the business may be spent for civic facilities and educational needs of the neighborhood. Providing employment opportunities in business establishments will improve the standard of living of people in building up a better society.

Owners
Business has a separate legal entity in the eyes of existing laws. It denotes that it separates itself from owners. Business firm does the business with the funds contributed by owners. Hence, business has
7.2.2. ලෙංකුක සමාජය ආදියන්

හෝසීමම මෙහෙයි සමාජය ආදියන් පිළිබඳව මෙහෙයි කොටස්.

• මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව.

• මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව මෙහෙයි පිළිබඳව.
the responsibility towards owners ensuring just and fair return on their investment/capital. Business is also responsible for guaranteeing a steep rise of capital so as to enable the owner to continue the business.

**Suppliers, Creditors and Others**

The functioning of a business firm is also affected by the suppliers, creditors and other interest groups with whom the business has to interact. Hence business owes its responsibility towards such interest groups i.e. prompt payment to suppliers and payment of interest along with repayment of principal amount to Lenders/Creditors.

**Responsibility towards Inter-Business**

The responsibility of business includes a healthy and co-operative business relationship with different business houses. Businessmen shall resist unfair and unethical competition and avoid unfair interference in the business of others, such as unfair canvassing against other business firms, price-rigging, supply of sub standard goods and like.

#### 7.2.2 BARRIERS OF SOCIAL RESPONSIBILITY

The task of social responsibility is facing the following barriers at different levels, while achieving the goals of social responsibility:

- The decision makers at top level may not accept the programmes related to social responsibility claiming that the programmes/plans are non-profitable to organization

- The main objective of any business is profit maximization. As such, the concept of social responsibility may be kept aside while achieving the objective of profit maximization.

- Even if a particular business unit does some socially beneficial activity it may not be appreciated by the competitors in the market, which hampers the morale of the businessman who comes forward to render service to the society.

#### 7.3. POLITICAL ENVIRONMENT

Political Environment plays a vital role which influences the environment of business. Political Environment constitutes all the factors relating to the policies of the political parties, and type of the Government in power. The attitude of Government towards different groups of society and different classes of business units directs and controls the activities. The economic and business policies are regulated by the Government. The existing political system of a country promotes, encourages, directs and controls, the business activities in that Nation.

The political environment of a country has immediate and great impact on business activities. Hence, it is the responsibility of Businessman to scan the environment with keen observation in order to make
7.3. ರಾಜಿಯ ಅಧಿಕಾರ

ಭೇಟಿ ರಾಜಿಯ ಅಧಿಕಾರ ಸಂಶೋಧನೆಗೆ ಮೇಲೆ ಪ್ರಾರಂಭ. ರಾಜಿಯ ಬಳಿ ಬಿಳಾಯಿ, ಅನ್ಮರುಠಗೆಯಲ್ಲಿಯೂ ಅವಿಭಾಜ್ಯ. ರಾಜಿಯ ರಾಜಿಯ ಎಂದರೆ ಇವು ಪ್ರಕಟಿಸುತ್ತವೆ. ರಾಜಿಯ ರಾಜಿಯ ಎಂದರೆ ಇವು ಪ್ರಕಟಿಸುತ್ತವೆ. ರಾಜಿಯ ರಾಜಿಯ ಎಂದರೆ ಇವು ಪ್ರಕಟಿಸುತ್ತವೆ. ರಾಜಿಯ ರಾಜಿಯ ಎಂದರೆ ಇವು ಪ್ರಕಟಿಸುತ್ತವೆ. ರಾಜಿಯ ರಾಜಿಯ ಎಂದರೆ ಇವು ಪ್ರಕಟಿಸುತ್ತವೆ. ರಾಜಿಯ ರಾಜಿಯ ಎಂದರೆ ಇವು ಪ್ರಕಟಿಸುತ್ತವೆ.

7.3.1. ರಾಜಿಯ ಅಧಿಕಾರ

ದೃಷ್ಟಿಪಡಿಸಿದ್ದಂತೆ ಯೋಜನೆಯಲ್ಲಿ ಸರಂಜಾಮಾಡಲೇ ಅನುಕೂಲಕ್ಕೆ ಅನುಮೋದನೆ. 

ಉಪಹರಕ್ಕೆ ಪ್ರಾರಂಭ, ಅನುಭವವಿರುವ ಕಲೆಗಳ ಮೇಲೆ ರಾಜಿಯ ಬಳಿ ಬಿಳಾಯಿ, ಅನುಭವವಿರುವ ಕಲೆಗಳ ಮೇಲೆ ರಾಜಿಯ ಬಳಿ ಬಿಳಾಯಿ, ಅನುಭವವಿರುವ ಕಲೆಗಳ ಮೇಲೆ ರಾಜಿಯ ಬಳಿ ಬಿಳಾಯಿ, ಅನುಭವವಿರುವ ಕಲೆಗಳ ಮೇಲೆ ರಾಜಿಯ ಬಳಿ ಬಿಳಾಯಿ.
changes in his organization according to the changing factors of Political Environment. A stable, honest, dynamic and efficient political system assure personal protection and security to the citizens of the country and to their properties. Every government should govern the country within the framework of the Constitution.

Thus, a stable and dynamic political environment of a country ensures business growth. The political philosophy of Indian democracy having a stable government acts as a promoter that regulates economic activity. However, most of the decisions of the government regarding business are based on consideration of the political party in rule. Hence, legal and political environment of a country provides a boundary within which business has to function. The success of the business depends upon the challenges being faced according to the political and legal system.

7.3.1 POLITICAL INSTITUTIONS

Indian Constitution came into force on 26th January 1950. The main object of the Constitution of India solemnly declared India to be a sovereign, socialist, secular, Democratic Republic in order to secure justice, liberty, equality and fraternity.

Justice: Social, Economic and Political
Liberty : Liberty of thought, expression, belief, faith and worship.
Equality : Equality of Status and Opportunities
Fraternity : Assuring the dignity of individual and the unity and integrity of the Nation

The Constitution of India of democratic set up granted the legislature, executive and judiciary which important institutions to govern the country and independent in nature.

Legislature
Legislature is the most powerful institution among three organs of the government. Legislature is the political institution entrusted with the powers of policy making, law making and executive control. Legislature acts as mirror for the aspirations and opinions of the public. The Legislature makes relevant laws from time to time to suit all the requirements of the Nation including business. The business is bound to perform its activities within the framework of the existing laws of the land. No business unit can function against the laws prevailing in the country.

Executive
The term government also refers to the State. The framers of our constitution made provision for Federal System. The term ‘Federalism’ means distribution of powers between the National / Central Government and the State Governments. The powers and functions of the Central and State Governments are defined by the Constitution. The Central and State Governments can function independently in the areas as defined by the Constitution. The distribution of powers aims at achieving national integration. Government is the executive body of laws made by the legislature in a Federal State. And the Constitution is the supreme of the land.
Judiciary

Essential Judicial functions:

1) Deciding Disputes
2) Settling the relationship between private citizens.
3) Settling the issues between citizens and the Government
4) Interpretation of Laws / Statutes.
5) Determining civil and criminal liabilities of private persons and State officials.
6) Determining the legality of the government actions.

The Supreme Court of India is the Apex Court in India. All lower courts viz., High Courts of the respective States, District Courts, and other Subordinate Courts are subordinate to the Supreme Court of India. The judgment given by the Supreme Court is final and all the lower courts should honor the judgment of the Supreme Court.

7.3.2. RESPONSIBILITIES OF BUSINESS TOWARDS GOVERNMENT

Business firms are expected to bear a number of responsibilities to the government. Laws made by Central Government or State Government or Local bodies must be honored by the business houses. Business houses should look at the government for support, guidance and encouragement.

Payment of tax
Taxes paid by business firms form a major source of revenue to the government. It is the responsibility of the business units to pay regular taxes on their sales, inputs and income. The Income Tax Act, 1961 directs the pay masters / proprietors of business firms to deduct tax before payment of salaries and wages to their employees and remit the collection to the Government.

Voluntary programmes
It is expected by the government that business firms have to come out voluntarily to render service to the society in times of natural calamities like cyclones, floods, earthquakes and other pandemic situations etc., Business firms extend their helping hands to Government Agencies and Local Government units in connection with relief operations, tree planting and sanitary works etc., Sometimes business firms actively involve in sponsoring social welfare programmes like environment preservation, promotion of education, culture and sports etc., ex: sponsoring National and International sports and games like Cricket, Tennis and Hockey etc.,

Providing information
Businessmen usually have necessary knowledge and experience. Hence the leaders of the business present before the decision makers the facts and problems individually or through various Forums and plead for any modifications of the decisions. Business leaders take every possible measure to get the decisions changed, if they are detrimental to the development of trade commerce, and industry. Feedback information will be given by the business firms to the Government on the decisions of the political leaders.
Government contracts
Government announces various projects for the welfare and development of the society, inviting tenders from suitable business houses. Many qualified business houses bid for contracts of the government. The business firm qualified in the bid has to carry out the projects according to the required specifications and standards.

Service to the government
The leaders of the business offer services to the Government. It is common and usual for business executives to accompany delegates to the foreign countries for exploring the prospects of trade and industry in our country. The Government constitutes various Committees and Advisory Boards to which the business leaders are also nominated to serve the Nation on issues of importance.

Participation in political activity
Participation of businessmen in active politics is giving room for discussion. Some arguments are in favour of participation of business people in political activity and some are against participation of business leaders in political activities. However, though their participation is not visibly seen directly, their representatives / nominees act on behalf of the business.

7.3.3. RESPONSIBILITIES OF GOVERNMENT TOWARDS BUSINESS
Responsibilities of government towards business are much more important than the obligations of the business to the government. Government has the power and will to maintain law and order, to decide and control money and credit. Government provides adequate resources like information, technology and infrastructure, for development of society and efficient leadership. Democratically elected Indian Government is clear about its role and responsibilities. Government being a promoter, regulator and controller of business activities undertakes the following responsibilities towards business:

Enforcement of established laws
Government establishes and enforces laws and regulations under which the business functions. Government enacts laws and regulations covering all the aspects pertaining to business. “Rules of the game” are provided by the government, which make the business system function smoothly. The rules of the game help maintain competition for the improvement of quality. If monopolies develop the government regulate and control them, it is the responsibility of the Government not only to establish laws, but to enforce them. In case of differences arising between business firms or individuals or Government Agencies, the Government provides the system of adjudication through courts.

Maintenance of law and order
Government has the responsibility of maintaining law and order and protecting persons and property. No business can be carried on successfully in the absence of peaceful atmosphere.

Money and credit
Government undertakes the responsibility of providing a system of money and credit. Further, it is the responsibility of the Government to regulate money and credit and protect the value and integrity of the Rupee, so as to guard against rapid fall in its value in terms of other currencies.
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Balanced development and growth
All the regions of a country should be developed equally to pave the path for orderly growth. Orderly growth indicates Balanced Regional Development creating full employment and stable economy. The Government has the resource and capabilities to achieve balance of regional development.

Infrastructure
The responsibility of the Government is to provide infrastructural facilities for effective functioning of business. Infrastructural facilities include transportation, power, finance, civil amenities, warehousing and trained personnel.

Information
It is the responsibility of the Government Agencies to publish and provide large volume of information which is used effectively by business houses. The information services include Departments of Commerce and Industry, Agriculture, Labour, Education, Health, Banking, Technology And Atomic Energy.

Assistance to small scale industries
India is an agro based country contributing large volume of income to the economy. In addition to agriculture, small scale industrial establishments play a special role in our economy. Being small in size, these establishments generally face problems relating to finance, marketing, know-how and infrastructural facilities. Hence, it is the responsibility of the Government to arrange required facilities and encourage small-scale industries to grow, which can provide employment opportunities.

Transfer of technology
Discoveries and inventions of the Government owned Research Organizations transfer the end result to private industries also. Encouragement of the Government improves commercial production. Examples: DRDO, ISRO and other Government owned Institutions transfer their discoveries and innovations to the private industry.

Competition with private sector
Government agencies compete with the private sector to ensure improvement in the quality of production adhering to the established policies.

Inspection and licenses
It is one of the most important responsibilities of the government to conduct inspection activities on private business houses. The inspection departments like food and drugs, weights and measures ensure quality and quantity of goods. The authorities take steps for prevention of sub-standard goods. Sometimes Government also regulates the prices for the benefit of the consumers.

Protection from foreign competition
It is major responsibility of the Government to protect and encourage indigenous industries by providing various subsidies and incentives because indigenous industries provide employment opportunities to the youth and bring revenue to the exchequer of the Government.
KEY TERMS

Bureaucracy:
A system of Government in which most of the decisions are taken by state authorities rather than by elected representatives.

Consumerism:
An organized movement of citizens and Government to strengthen the rights and powers of buyers.

Mitigation of risk:
Buying political risk insurance is a way to manage political risk. Mitigation corporations (MNC) use such insurance to reduce the risk.

Totalitarianism:
Also called authoritarianism individual freedom is completely subordinated to the power of authority of state and concentrated in the hands of one person.

Urbanisation:
people moving from rural areas towards the urban areas.
**Tariffs and Quotas**

Tariffs and quotas are used to protect home industries from foreign competition. High volume of customs and duties are levied on foreign products and services.

**REVIEW QUESTIONS**

1. Which of the following constitute social environment ______
   a. Standard of Living
   b. Education level
   c. Habits
   d. All of the above.

2. Social responsibility of business
   a. Introduced recently
   b. Observed in good olden days
   c. Present & good olden days
   d. None of the above

3. Responsibilities of the Government is to ______
   a. Enforce laws
   b. Maintain law and order
   c. Protect the Nation from external forces
   d. All of the above.

4. Social responsibility of business
   a. Towards Government
   b. Towards Suppliers
   c. Towards Consumers/customers
   d. All of the above

5. Who is the custodian of fundamental rights _____
   a. District court
   b. High court
   c. Supreme court
   d. Subordinate Magistrate court

6. The constitution of India gifted how many number of political institutions __
   a. 3
   b. 5
   c. 7
   d. None of the above
7. Business environment includes the following environments _____
   a. Internal
   b. External
   c. Internal and External
   d. All of the above

8. Which is not included in the External Environment of Business ________
   a. Owners
   b. Suppliers
   c. Consumers
   d. Government

9. What are the causes of Pollution ___
   a. Air pollution
   b. Water pollution
   c. Sound pollution
   d. All of the above

10. What are the essential functions of Judiciary
    a. Interpretation of laws
    b. Deciding disputes
    c. Protecting fundamental rights
    d. All of the above

     ANSWERS

   1  2  3  4  5  6  7  8  9  10
   D  A  D  D  C  A  D  A  D  D

     INTERACTIVE LINKS

Social Environment: https://www.dictionary.com>
Concept of social responsibility of business: https://www.investopedia.com>
Political Environment: https://www.bbamantra.com>
https://www.mbkool.com>
Legal Environment

Learning Outcomes:

After reading this chapter, the student should be able to:
1. understand the concepts of Legal Environment
2. understand the impact of Demonetisation.
3. acquire the knowledge of GST.
4. examine the various acts pertaining to Business.
5. probe into Legal Changes

Chapter 8

8.1. Legal Environment

8.2. Demonetisation
8.2.1 Reasons for Demonetisation
8.2.2 Scope of Demonetisation
8.2.3 Advantages of Demonetisation
8.2.4 Disadvantages of Demonetisation
8.2.5 Impact of Demonetisation

8.3. Goods and Service Tax (GST)
8.3.1 Components of GST
8.3.2 Objectives and salient features of GST
8.3.3 Salient features of GST
8.3.4 Advantages of GST
8.3.5 Disadvantages of GST
8.3.6 Impact of GST

8.4. Political Stability
8.5. Legal Changes
"స్వాధీన శక్తి" అనే అధ్యాపక పంచాయత్� హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు. ఏపీ పాఠశాలలో పంచాయత్త కార్యాల పంచాయత్త పంచాయత్త హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు. ఏపీ పాఠశాలలో పంచాయత్త హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు.

ప్రస్తుతం నింటే పంచాయత్త హ్రదాలు పంచాయత్త హ్రదాలు పంచాయత్త హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు. ఏపీ పాఠశాలలో పంచాయత్త హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు. ఏపీ పాఠశాలలో పంచాయత్త హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు.

స. మెని. ఈ పాఠశాలలో ప్రతి పంచాయత్త పంచాయత్త పంచాయత్త హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు. ఏపీ పాఠశాలలో పంచాయత్త హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు. ఏపీ పాఠశాలలో పంచాయత్త హ్రదాలు మార్చి కొందరు సాధారణం వివరించాడు.

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The chapter “Legal Environment” gives an elaborate understanding of various Acts pertaining to Business. It provides information of various Acts to settle the issues of Employers and Employees. The objectives of various enactments are to establish harmony in the Environment of Business. It is the duty of every one to obey the laws of the land. Non compliance of laws leads to legal problems.

Demonetisation is the withdrawal of legal tender money in circulation. The recent demonetisation was announced on 8th November, 2016. The denominations of Rs. 500 and Rs. 1000 were withdrawn from circulation with effect from 9th November, 2016. Government of India instructed the citizens to deposit them in the banks. The main intention of demonetisation is to eliminate Corruption, Black money and Activities of Terrorism.

The introduction of GST is a revolutionary decision of the Government of India. GST is founded on the principle of “One Nation & One Tax”. GST, which is a transparent tax, repealed various hidden and indirect taxes. It facilitates simple maintenance of records and accounts. GST is a destination based tax with uniformity in tax system in the entire country.

The main objective of GST is to avoid cascading effect i.e., Tax on Tax. GST prevents tax evasion and corruption. Demonetisation and GST are aimed at stabilizing the economy of the Nation.
3.1. Government Legislation


Examples of legislation include:

1. **Indian Contract Act, 1872**

   The Indian Contract Act, 1872, is a central piece of legislation that deals with the formation and enforcement of contracts. It provides a framework for understanding contract law in India and is widely cited in legal disputes.

   - **Section 2** defines contract, which includes agreements to do or not to do something. It also includes agreements not to do something, which are valid and enforceable.
   - **Section 7** deals with agreements not to do anything, which are valid and enforceable agreements.

   Overall, the Indian Contract Act, 1872, is a foundational piece of legislation that governs the formation and enforcement of contracts in India.
8.1. LEGAL ENVIRONMENT

Legal environment includes various legislations passed by the Government and administrative orders issued by the Government Authorities. Court judgments are considered judge made laws. Decisions of various Commissions and Agencies at every level of the Government - Centre, State or Local should be in accordance with the established laws. It is imperative for the business to obey the law of the land. Manager of every enterprise has to perform his business transactions with complete knowledge of rules and regulations framed by the Government.

Noncompliance of laws leads the business firm into legal problems. Legal aspects reflect the policy framework of the Government, structure of the country. The laws relating to business in India can be categorized as shown below.

- Indian Contract Act, 1872.
- Workmen’s Compensation Act, 1923
- Indian Trade Union Act, 1926
- Industrial Disputes Act, 1947
- Factories Act, 1948.
- Industries Development and Regulation Act 1951
- The Companies Act, 2013
- Indian Copyright Act, 1957.
- MRTP Act 1969
- Patents Act, 1970
- Trade Marks Act, 1999.
- Foreign Exchange Management Act, 1999. (F E M A, 1999)

The legal environment protects the consumers’ interests with the help of control and regulations of the Government.

EX:-
1. Advertisement of alcoholic beverages is prohibited.
2. Advertisements for Cigarettes carry the statutory warning “CIGARETTE SMOKING IS INJURIOUS TO HEALTH”.
3. Advertisements of Baby Food must necessarily inform the potential buyer that “Mother’s Milk is the best”.

All the above regulations are required to be followed by advertisers.

Indian Contract Act, 1872
The bulk of the business transactions are based on contracts. The Indian Contract Act, 1872 prescribes the law relating to contracts in India. The Act is based on the principles of English Common Law. The Act is applicable to all States in India. Section 2(h) of the Indian Contract Act, 1872, defines a contract as an agreement which is enforceable by law. Indian Contract Act, 1872 consists of 266 sections. It is the principal law regulating contracts in India.
Indian Contract Act, 1872

An Act to consolidate the law of contracts.

The contract is a voluntary agreement between two or more persons to do or not to do a particular act, or to do or not to do a particular act on a particular condition.

Section 2 (h) defines an agreement as "an assent, express or implied, given by one person to another for a consideration, that the latter shall do or omit to do something for or in consideration of the doing or omitting something by the former.

In Section 266, "consideration" is defined as "something which is given or promised or implied or arising by law or custom or usage as a condition precedent to the performance of the act of the party to whom the consideration is given or promised or implied.

Indian Trade Union Act, 1926

An Act to amend the Indian Trades Union Act, 1926.

The Act was passed during the year 1926, under the name of "ALL INDIA TRADE UNION CONGRESS" (AITUC).

The Act was passed in 1926, under the name of "ALL INDIA TRADE UNION CONGRESS" (AITUC). The Act was subsequently amended in 1947.
The word ‘contract’ is derived from the Latin word ‘CONTRACTUM’ which means ‘Drawn Together’. Simply contract is an ‘Agreement’ enforceable by law. Section 10 of the Indian Contract Act, 1872 says all agreements are contracts if they are made by the free consent of parties competent to contract for lawful consideration with a lawful objective. Simply contract is an agreement between two or more persons. The parties are bound by such agreement. Thus all agreements are not contracts, but all contracts are agreements.

**Indian Trade Union Act, 1926**

The Industrial revolution in 19th century brought changes in the world. A number of changes in methods of production, automation, shipping and transportation resulted in simultaneous changes in the social set-up. The scientific and technological innovations in the industrial sector made a vertical division of two classes namely the working class and the managerial class. Naturally, there is a conflict between wage earning class and enterprising class. The former claims higher wages and better condition of service while the latter expects maximum production at minimum wages.

The credit for organized movement in India goes to Shri N.M. Lokhande who was a factory worker himself. He organized an agitation in Bombay in the year 1884 and called for conference of workers. The leaders of the Indian Congress Party founded “The All India Trade Union Congress” (AITUC) in the year 1920. The AITUC for the first time in the year 1920 represented at the International Labour Organization (ILO). Shri N.M. Joshi the father of modern trade unionism in India introduced a Trade Union Bill in the Assembly. Though the Government was reluctant to pass the bill, the Government was compelled to enact the Indian Trade Union Act, 1926, because of the pressure from political parties.

**Industrial Disputes Act, 1947**

After the introduction of Industrial Disputes Act, 1947 an investigation was made for settlement of the industrial disputes between employers and employers, employers and workmen or workmen and workmen with the right of a representation by a Registered Trade Union for prevention of illegal strikes and lock-outs. Industrial Disputes Act, 1947 is for social welfare.

The Industrial Disputes Act, 1947 came into existence in April 1947. The Act was enacted to make provisions for prevention and settlement of industrial disputes. Thus Act is administrated by the Department of Ministry of Labour and Employment.

**The Factories Act, 1948**

The Law relating to labour in factories and industrial establishments entitled “The Factories Act, 1948” was passed by the constituent Assembly on August 28th, 1948 and came into force from April 1949. The Factories Act, 1948 extends to the whole of India. The Act applies to all industrial establishments, which falls within the meaning of factory under section 2(m) of the Act. It is a legislation enacted for social welfare. Its main objective is to protect and safeguard the interests of the workmen.
“The Factories Act, 1948” concerns the protection of workers in factories. It was enacted in 1947.

The Factories Act, 1948

The Factories Act, 1948, establishes minimum working conditions for factory workers. It was introduced in 1948 and was in force until 1951. The act was then amended in 2000.

The Industrial (Development and Regulation ) Act, 1951

The Industrial (Development and Regulation ) Act, 1951, promotes industrial development and regulates industrial activities. It was enacted in 1951 and was amended in 1952.

The FOREIGN EXCHANGE MANAGEMENT ACT, 1999 (FEMA):

The FOREIGN EXCHANGE MANAGEMENT ACT, 1999 (FEMA) governs foreign exchange transactions and controls the inflow of foreign investment capital into India. It was enacted in 1999.
employed in the industrial establishments. The Factories Act, 1948 directs the employer to provide facilities in every factory:

The Industrial (Development and Regulation) Act, 1951
The Central Government is empowered to implement its industrial policies and to enact several legislations. The Industrial (Development and Regulation) Bill having been passed by both the houses of Parliament received the assent of the President of INDIA on 31st October 1951. The Act came into force on 8th May 1952 as “The Industrial (Development and Regulation) Act, 1951”. The Act has Nine Chapters including Miscellaneous and Three Schedules. It extends to whole India

The Companies Act, 2013
- The new law relating to companies is governed by the Companies Act, 2013 which came into force on 29th August, 2013.
- It extends to the whole of India.
- It contains 470 sections divided into 29 chapters and 7 schedules.
- The Companies Act, 2013 brought about significant changes over the Old Act ie., the Companies Act, 1956 which had 658 sections divided into 13 parts and 15 schedules.
- The new Act made provision for the establishment of “One Person Company”.
- Thus for formation of Private Limited company, the minimum number of members has been reduced from two to One. Therefore, a single individual alone can start a company known as “One Person Company”.
- The new act envisages speedy incorporation process.
- Section 7 of the new Companies Act, 2013 confers on Tribunal, power to cancel registration of company, if a company is found guilty of furnishing false information.

Foreign Exchange and Management Act, 1999
The Central Government of India formulated an Act to encourage external payments and Trade across the border. Foreign Exchange Management Act, 1999 has been consistent with the emerging frame work of the World Trade Organization (WTO). It also helped the introduction of the Prevention of Money Laundering Act, 2002, Which came into force with effect from 1st July 2005. Foreign Exchange Management Act, is applicable to whole India. The Act is also applicable to all branches and offices outside India owned or controlled by a person who is resident of India Under Section-6 of the Income Tax Act, 1961.

The FEMA’s head office known as Enforcement Directorate (ED) is in New Delhi headed by a Director. The Directorate has five more Zonal Offices in Delhi, Mumbai, Kolkata, Chennai and Jalandhar. Each Zonal office is headed by a Deputy Director. Each zone is sub-divided into seven (07). Sub-Zonal offices headed by the Assistant Directors and five field units headed by the Chief Enforcement Officer.

Consumer Protection Act, 1986
India is the biggest democratic country having population of more than 130 crores. Most of the population depends upon agriculture. Majority of consumers are very poor, helpless and unorganized.
WORLD TRADE ORGANISATION (WTO) released its annual report FEMA, 1999
PREVENTION OF MONEY LAUNDERING ACT, 2002
FEMA, 1999
PREVENTION OF MONEY LAUNDERING ACT, 2002
FEMA, 1999
CONSUMER PROTECTION ACT, 1986
CONSUMER PROTECTION ACT, 1986

Consumer Protection Act, 1986

1. The Consumer Protection Act, 1986 was enacted by Parliament to protect the rights of consumers and to provide for the establishment of consumer forums.
2. The act aims to empower consumers by providing them with information, redressal mechanisms, and enforcement of their rights.
3. Key provisions of the act include the establishment of District Forums, State Commissions, and National Commission for Complaints.
4. The act empowers consumers to file complaints against unfair trade practices,虚假 advertisements, and other infringing activities.
5. The role of consumer forums in enforcing consumer rights and protecting the interests of the public.

DISTRICT FORUM:

The consumer protection forum was established under the Consumer Protection Act, 1986 to provide a mechanism for resolving consumer disputes. It consists of consumer representatives, members, and an umpire.

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Moreover, Indian market is a seller’s market and it becomes very easy to deceive illiterate and innocent consumers. Generally, a common consumer usually does not possess either knowledge or awareness of the product. Hence, a common consumer needs protection against any deceptive methods and exploitation, as he cannot approach the Court of Law.

**Consumerism**

Consumerism is an organized movement of citizens. Consumers in India started their journey to raise their voice against the spurious goods since 1969 through housewives in Mumbai. The biggest support in this regard came from the Central Government. The Indian Parliament passed a legislation entitled “THE CONSUMER PROTECTION ACT, 1986”.

The Consumer Protection Bill 1986, was passed by both the houses of Parliament and it received the assent of the President Of India on 24th December 1986. It came on statute book as Consumer Protection Act, 1986 (68 of 1986). The Act came into force on 15th April, 1987. After many Amendments were introduced to the existing Act, the Amendment Act of 2002, came into force with effect from March 15th, 2003.

**Objectives**

The Consumer Protection Bill seeks to provide better protection to the interest of consumers. To achieve this object, the Act makes a provision for the establishment of consumer councils and other authorities for the settlement of consumer disputes.

The Consumer Protection Act, 1986 promotes and protects the interests of the consumers, such as:
- Protection against marketing of goods, which are hazardous to life and property.
- Information about the quantity, quality, purity, standard and price of goods for protection of the consumer against unfair trade practices;
- Information of variety of goods at competitive prices;
- Establishment of appropriate Councils and Forums for hearing the grievances of Consumers;
- Provision for limitation period of one year for filing complaints.

A few years after commencement of the Consumer Protection Act, 1986 certain problems were experienced. Hence “the Consumer Protection Act, 1986” was amended in 1991, 1993 and 2002. Many changes were made by the Amendment Act of 1993.

**Consumer Disputes Redressal Agencies**

To provide simple, speedy and inexpensive redressal of consumer grievances, the Consumer Protection Act, 1986 furnishes a three-tier grievance redressal mechanism. Section 9 of the Act provides a three-tier consumer disputes redressal agencies as stated below:

**District forum**

Section 9 of the Consumer Protection Act, 1986 empowers the State Government to form one or more consumer dispute redressal forums by a notification named as “District Forum” in a district. It is also known as “Consumer Disputes Redressal Forum”. 225
8.2. 

In the year 2016, the complainant alleged that the defendant company had failed to provide the promised warranty. The defendant company stated that the warranty had been provided and that the consumer had not followed the proper procedure. The consumer's claim was upheld by the State Consumer Disputes Redressal Commission on the ground that the defendant company had not provided the warranty. The Commission ordered the defendant company to compensate the consumer with Rs. 500,000.

The defendant company appealed the decision of the Commission, but the appellate authority dismissed the appeal. The defendant company then filed a petition in the High Court, which upheld the decision of the Commission. The defendant company then filed a appeal in the Supreme Court, which dismissed the appeal. The defendant company then filed a petition in the National Consumer Disputes Redressal Commission, but the Commission dismissed the petition.

The defendant company then filed a petition in the Supreme Court, which dismissed the petition. The defendant company then filed a petition in the High Court, which dismissed the petition. The defendant company then filed a petition in the Supreme Court, which dismissed the petition.

The defendant company then filed a petition in the High Court, which dismissed the petition. The defendant company then filed a petition in the Supreme Court, which dismissed the petition.
State commission
Consumer Protection Act, 1986 empowers the State Governments to establish “a commission” also known as State Consumer Disputes Redressal Commission in the state by notification. It has an original jurisdiction to decide the matters of consumer disputes above the value of Rupees Twenty Lakhs and below the value of Rupees One Crore. It hears appeals and exercises supervisory jurisdiction over all the District Forums in the state.

National commission
National Consumer Redressal Commission known as “National Commission” is the highest redressal agency in the country. National Commission has an original Jurisdiction to decide the matters relating to the value above Rupees One Crore. National Commission is the Apex Commission under the Consumer Protection Act, 1986. Hence National Commission entertains appeals and exercises supervisory powers over all the State Commissions in the country.

8.2. DEMONETISATION
Demonetisation is an attempt made by the Government withdrawing legal tender status of currency issued by it. It means withdrawing legal tender money from circulation. Further we can say demonetisation is a process of dispossession of legal tender status of currency units in circulation. Indian Government on 8th November, 2016 made an announcement of ceasing the usage of Rs. 500 and Rs. 1000 denominations as the form of legal tender money in India from 9th November, 2016. The denominations of Rs. 100, Rs. 50, Rs. 20, Rs. 10 and Rs. 5 continued to remain as legal tender money and they were not affected by the policy decision of the government of India. The basic condition of demonetisation is to change National currency. It means demonetisation is a change of existing currency, where new units of currency are replaced. It may involve introduction of new currency notes of same denomination or new denomination and coins.

It was not the first time that the demonetisation in India took place. For the first time, demonetisation took place on Saturday, the 12th January, 1946. It took place for the second time on Monday, the 16th January, 1978 and the third was on Tuesday, the 8th November, 2016. Our Hon’ble Prime Minister Shri Narendra Modi to the surprise of citizens of India made this announcement explaining the factors which drove his government to take such an important and crucial decision of withdrawing the denominations of Rs. 500 and Rs. 1000 from circulation with effect from 9th November, 2016. In the recent past, the European Union called for demonetisation of existing 12 countries. The European Union introduced a unified currency “EURO” on 1st January, 2002.

8.2.1. REASONS FOR DEMONETISATION
It is said that the decision of demonetisation is to arrest black money in the economy, to eliminate forged/fake currency which is in the hands of terror groups to sponsor terrorism in the country. There are many reasons for introducing demonetisation in the year end of 2016 in consultation with Reserve Bank of India. They are:
8.2.1. ಹೇಳೆಡನೀಡಿನ ವಿಷಯಗಳು

ದ ಹೇಳೆಡೆಯುವ ಹುದ್ದೆಯ ರಿಂದ ವಿಷಯಗಳು ಅದುಗು ಸಾಕ್ಷ್ಯಪಡೆಯ ಅಧ್ಯಯನದಿತರ ಪ್ರಕಾರ ಪ್ರತಿಯೊಂದು ವಿಷಯದಿತರ ಸೇವೆಗಳನ್ನು ಕಲ್ಪಿಸಿದ್ದಾರೆ. ಹೊರೊದ್ರ ಪ್ರತಿದಿನಿಗೆ ಯಾವುದೇ ಸೇವೆಗಳು ಪ್ರತಿಯೊಂದು ನೇಮಕಾತಿಯನ್ನು ನೀಡಬಹುದಾಗಿರುತ್ತದೆ. ಇದರಲ್ಲಿ ಸಹಾಯದ ಮೇಲೆ ಹೊಸ ಸೇವೆಗಳಿಗೆ ಸೇವೆಗಳನ್ನು ಪ್ರತಿಯೊಂದು ಸೇವೆಗಳನ್ನು ವಿಷಯ ಸೇವೆಗಳನ್ನು ಕಲ್ಪಿಸಿದ್ದಾರೆ. Phone Pe, Google Pay, Paytm,
Rupay, Bhim App
Black Money
Black money means income illegally obtained or undeclared income to evade income-tax. Demonetisation was a revolutionary action taken by the Government of India to curb black money, because black money is used to maintain a parallel economy in the country. Unaccounted money/Black money is available in various forms like cash, investment in property or real estate, valuable ornaments of gold and jewellery. The furniture studded with precious stones, silver and transacting foul business with foreign agencies. Black money is a peril for a healthy society and the Nation does not get its legitimate revenue, which leaves the country in great losses.

Fake Currency
Fake currency is also known as counterfeit currency or forged currency which is a threat to the economy of any Nation. Fake currency in the hands of terror groups promotes terrorism in the country. Fake currency is a replica of legal tender money. Demonetisation plays a vital role to hit the fake currency rackets. The withdrawing of the denominations of the highest value currency units out of economy has a serious impact on the fake currency rackets. The high security new currency units made it very difficult for the fake currency rackets to carry out the unlawful activities.

Corruption
Dishonest or fraudulent conduct of people in power is called corruption. Corruption in public life is a barrier for development of the society. Once the existing flow of cash is withdrawn, the act of corruption automatically comes down.

Digitalisation and Formalisation of Economy
Most of the transactions are carried out in cash only. This escapes the attention of the tax authorities. Hence, the government thought of encouraging digitalization and formalization of economy through online transactions. Various instruments are available to make digital payments like Phone pay, Google pay, Paytm etc., Rupay cards and BHIM App are also available for payments. These online transactions can never be hidden and become transparent. This paves path for improving tax collection and helps to reduce tax evasion.

8.2.2. SCOPE OF DEMONETISATION
The entire currency units of Rs.500 and Rs.1000 denominations were withdrawn. This has arrested the circulation of Rs. 15.44 lakh crores. Therefore, the crux of the problem is liquidity. The demonetisation came into effect from 9th November, 2016. Government advised the citizens to deposit the available cash with them into respective bank accounts on or before 30th December, 2016. There was a limit of Rs. 10,000/- withdrawing cash from bank for a person for a week. However, the Government allowed the citizens to make payments in old currency units to Hospitals and Pharmacies to meet emergencies. Government also permitted the citizens to pay the cash to government agencies for house tax, electricity bills and insurance premiums etc. However, the long queues at the bank caused some inconvenience to people and day-to-day transactions were also disturbed.
8.2.2. செலவுதி மற்றும் நூலாண்மை


8.2.3. செலவுதி மற்றும் நூலாண்மை

காலநிலை வரையறுக்கப்பட்டது 2017-18 முதல் 2018முதல் 12.8 முதல் குறுக்கும் குறுக்கும் நூற்றுக்கும் குறுக்கும்.

8.2.4. செலவுதி மற்றும் நூலாண்மை

காலநிலை வரையறுக்கப்பட்டது 1200-1200 முதல் குறுக்கும் குறுக்கும். விழாக்கக் கொள்ளல் விழாக்கக் கொள்ளல் விழாக்கக் கொள்ளல்.
8.2.3. ADVANTAGES OF DEMONETISATION

- Demonetisation helped curbing black money. This helped increase of tax base and brought 12.8 million new tax payers into stream for the financial year 2017-18.

- The circulation of fake currency units of higher denomination of Rs. 500 and Rs. 1000 disappeared.

- Demonetisation of legal tender money arrested the funding of terror groups and reduced inflation.

- Demonetisation promotes cashless and transparent transactions and facilitated digital and accurate money flow.

- Achieving cashless transactions totally are not possible in India, demonetisation encouraged larger number of groups to go for online transactions, as there are limitations for withdrawal of cash.

8.2.4. DISADVANTAGES OF DEMONETISATION

The Government of India suddenly declared the process of demonetisation giving a short duration for exchange of higher denominations of Rs. 500 and Rs. 1000. This made people scared and long queues were witnessed in front of banks causing a lot of inconvenience to the public.

- The new currency units were not available at the time of announcement of demonetisation. Citizens were allowed to withdraw a maximum amount of Rs. 10,000 per week from their bank accounts, and the limit was increased to Rs. 24,000 per week. This resulted in a lot of inconvenience to the common people.

- The Nation faced the problem of short term inflation due to shortage of money in the market.

- Stock markets were badly affected.

- The withdrawal of old currency units and printing of the new currency units created a heavy burden to the government.

8.2.5. IMPACT OF DEMONETISATION

Demonetisation is a bold and revolutionary step taken by the Government considering various factors. The impact of demonetisation is significantly observed in tax collection and increase in digital transactions in a short period. It is witnessed that a total of 15.28 lakh crore old currency of the denomination of Rs. 500 and Rs. 1000 was returned to the banks as against a total volume of Rs. 15.44 Lakh Crores. It denotes that a marginal difference of 0.16 which is almost equivalent to Rs. 16000 Crores was kept aside and warned out. A notable decline was seen in activities of terrorism and anti social activities during post Demonetisation period. The impact on various segments are explained below.
8.2.5. ప్రారంభంలో పెంచబడిన పరిమాణము‌లో ప్రత్యేక విధానాలు‌
రాష్ట్రాన్ని ప్రత్యేకంగా పెంచబడిన పరిమాణము‌లో ప్రత్యేక విధానాలు‌ పెంచబడినాయి. రాష్ట్రాన్ని ప్రత్యేకంగా పెంచబడిన పరిమాణము‌లో ప్రత్యేక విధానాలు‌ పెంచబడినాయి. 15.28 శతాబ్దంలో 500 రూ. రేట్‌లో పెంచబడిన పట్టణాలు‌ పెంచబడినాయి. ప్రత్యేకంగా పెంచబడిన పరిమాణము‌లో ప్రత్యేక విధానాలు‌ పెంచబడినాయి. 15.44 శతాబ్దంలో 2017 శతాబ్దంలో పెంచబడిన పట్టణాలు‌ పెంచబడినాయి. 15.28 శతాబ్దంలో 2017 శతాబ్దంలో పెంచబడిన పట్టణాలు‌ పెంచబడినాయి. 0.16 శతాబ్దంలో 16000 రూ. రేట్‌లో పెంచబడిన పట్టణాలు‌ పెంచబడినాయి. 128 శతాబ్దంలో పాటు పెంచబడిన పట్టణాలు‌ పెంచబడినాయి. 2016 శతాబ్దంలో పెంచబడిన పట్టణాలు‌ పెంచబడినాయి.

POST DEMONETISATION - NEW TAX PAYER

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INCREASE IN INCOME TAX RETURNS FILED (in Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>11.78</td>
</tr>
<tr>
<td>2015-16</td>
<td>9.9</td>
</tr>
<tr>
<td>2016-17</td>
<td>17.3</td>
</tr>
<tr>
<td>2017-18</td>
<td>24.7</td>
</tr>
</tbody>
</table>

source: CBDT statistics 2018

Table: 8.1
Impact on expansion of the tax base
Demonetisation witnessed a positive rate on tax base as shown in the following Table released by the Central Board of Direct Taxes (CBDT)

<table>
<thead>
<tr>
<th>HEAD</th>
<th>GROWTH IN DIRECT TAX COLLECTION 2016-17 (Till August 2016)</th>
<th>GROWTH IN DIRECT TAX COLLECTION 2017-18 (Till August 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in advance of personal Income-tax</td>
<td>22.24</td>
<td>41.79</td>
</tr>
<tr>
<td>Growth in Self Assessment tax</td>
<td>18.76</td>
<td>34.25</td>
</tr>
<tr>
<td>of personal Income-tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth in direct tax collections</td>
<td>14.54</td>
<td>17.60</td>
</tr>
</tbody>
</table>

We can observe an increase of new tax payers of 91 lakhs in 2016-17 (i.e. the period of Demonetisation) to 128 lakhs in 2017-18 i.e. the immediate period of post Demonetisation. As the table itself explains that there is an increase of income tax returns filed from 17.30 percent in the financial year 2016-17 to 24.7 percent in the financial year 2017-18 i.e. post Demonetisation period. It is witnessed that there are 37 lakhs new tax payers at an increase rate of 7.4 percent in the financial year 2017-18.

Impact on direct tax collections
A notable increase was distinctly seen on the direct collections of personal income-tax advance tax from 22.24 percent in 2016-17 (Till August 2016) to 41.79 percent in 2017-18 (Till August 2017). Likewise a growth rate was seen in total direct tax collection from 14.54 percent in 2016-17 to 17.60 percent in the year 2017-18. The growth of self assessment tax of personal income-tax was also seen from 18.76 percent in 2016-17 (Till August 2016) to 34.25 percent in the year 2017-18 (Till August 2017).

As the table shows the growth of direct tax increased substantially. The assesses voluntarily came forward to disclose income, and paid taxes to strengthen the economy.

Operation Clean Money (Ocm)
The department of Income-tax launched a project entitled “OPERATION CLEAN MONEY” on 31st January, 2017, as a post - demonetisation programme. The CBDT analyzed the data of cash deposits in bank accounts through a data mining software. The CBDT analyzed the data of various classes of individuals and their cash deposits in banks and identified that they were not filing Income-tax returns previously. They were also brought into tax brackets.

Reduction of currency in circulation
Demonetisation encouraged people to make online transactions. Hence Demonetisation reduces the informal economy, which leads to reduction of currency circulation.
8.3. GST (Goods and Services Tax)
Impact on digital transaction
Demonetisation gave a good push to digital transactions. Bank accounts are linked with Aadhaar and Aadhaar linked Apps like Bhim App and other platforms like Rupay etc.

Impact on fake currency
The Demonetisation has successfully arrested the circulation of fake currency, which hinders the development of the Nation.

Impact on corruption
The main objective of Demonetisation is to curb corruption and black money. These elements vanished to a great extent because of formalization of economy.

Impact on business
Demonetisation has its adverse influence on business especially on small and medium units because of lack of liquid cash. This has also affected the employment opportunities.

Impact on agriculture
India is an agro based economy, which provides a lot of employment in various forms. Many of the farmers and workers dependent on the agriculture sector suffered very badly for want of liquid cash. Most of the agro-based industries also suffered a setback, because of Demonetisation.

8.3. GOODS AND SERVICE TAX (GST)
Goods and Service Tax (GST) is the biggest tax reform of indirect tax in India. The Goods and Service Tax, 2017 was passed in the Parliament on 29th March, 2017 and came into effect on 1st July, 2017. The main objective of the Act is to levy tax on Goods or Services or both.

- Alcoholic liquor for human consumption is out of the purview of GST. States are very free to levy taxes on them. But, industrial alcohol is within the ambit of Goods and Service Tax (GST).
- GST is a destination based tax.
- Uniform tax structure all over India is under GST.
- The burden of GST is finally borne by consumers.
- The centre and the states have simultaneous powers to levy, collect and administer GST.
- It is noted that the GST is a destination based tax. Hence, GST is received by a state in which the goods are consumed but not by the state, where goods are manufactured.
- Earlier, multiple taxation took place such as central excise, service tax and state VAT.

8.3.1 COMPONENTS OF GST:
Under GST, there is just one tax with the following four components.

CGST: Central Goods and Service Tax (CGST) is the tax levied by the Central Government. The CGST is charged to compensate the earlier taxes on the form of Central excise duty, Service
8.3.1. ವಿವಿಧ ವಿಷಯಗಳ

ಅನುಕೂಲ ಇತರ ವಿಷಯಗಳ ಮೇಲೆ ಮಹಾರಾಷ್ಟ್ರದ ವಿವಿಧ ವಿಷಯಗಳ ಮೇಲೆ ಪಾತ್ರಾದಿಯಾಗಿ ಮಾಡಲಾಗುತ್ತದೆ.

8.3.2. ವಿವಿಧ ವಿಷಯಗಳ

ಅನುಕೂಲ ಇತರ ವಿಷಯಗಳ ಮೇಲೆ ಮಹಾರಾಷ್ಟ್ರದ ವಿವಿಧ ವಿಷಯಗಳ ಮೇಲೆ ಪಾತ್ರಾದಿಯಾಗಿ ಮಾಡಲಾಗುತ್ತದೆ.
tax, Duties of custom, Surcharges, Cess etc. The CGST is charged along with SGST or UTGST as per the dual GST arrangement.

**SGST:** GST is levied by the States on Intra-State supply of goods or services or both is called the State GST or SGST. State under GST Act, 2017 includes a Union Territory with a Legislature.

**UTGST:** On every supply of goods or services or both within the Union Territory GST levied is called Union Territory GST or UTGST.

**IGST:** On every Inter-State supply of goods or services or both, integrated GST (IGST) will be levied and collected by Centre. IGST is shared between the Centre and the State in the manner as may be allowed by the GST Council.

### 8.3.2 OBJECTIVES OF GST
- Goods and Service Tax is a broad tax structure without any difference between goods and services.
- The basic objective of GST is to eliminate/avoid tax on tax, which is called cascading effect.
- GST includes or absorbs all the major indirect taxes under different laws.
- Prevention of Tax evasion and corruption.
- Increase in productivity and efficiency.
- Generation of Revenue.
- Achieving the policy of “One Nation and One Tax”.
- Providing the ideal credit of input taxes (ITC).

### 8.3.3 SALIENT FEATURES OF GST
- GST is applicable on “Supply” of goods or services but not on manufacture of goods or services.
- It is destination based tax.
- It empowers both the Centre and State simultaneously to levy tax.
- It replaced various existing indirect tax laws.
- It is applicable on all goods and services except Alcohol for human consumption.
- It is not levied on Petroleum products.
- GST Council is constituted as a joint forum of the Centre and States. The GST Council ensures balancing of various aspects of GST between Centre and States, and among States.

### 8.3.4 ADVANTAGES OF GST
- GST eliminates tax on tax, which is known as cascading effect of tax.
- Very simple and easy online procedure.
- Unorganized sectors of society are regulated.
- Uniformity of tax rates all over the Nation.
- Higher revenue efficiency.
- Provision of ideal credit of input taxes (ITC).
- GST prevents corruption and tax evasion.
8.3.3. గాను విశేషాలు

- గాను తాగడానికి యొక్క తాగాలు మాత్రమే అవసరం. గాను కొంతం గాను యొక్క మాత్రం ఇవి రెండవ కూడా సంభవించాయి. గాను కొనే సందర్భంలో మాత్రం ఇవి రెండవ కూడా సంభవించాయి.
- గాను కొనే సందర్భంలో మాత్రం ఇవి రెండవ కూడా సంభవించాయి.
- గాను కొనే సందర్భంలో మాత్రం ఇవి రెండవ కూడా సంభవించాయి.
- గాను కొనే సందర్భంలో మాత్రం ఇవి రెండవ కూడా సంభవించాయి.
- “ఇక్కడ గాను యొక్క మాత్రం ఇవి రెండవ కూడా సంభవించాయి.”

8.3.4. గాను విభాగాలు

- గాను తాగడానికి యొక్క తాగాలు మాత్రం ఇవి రెండవ కూడా సంభవించాయి.
- గాను ఎందుకంటే ప్రత్యేకంగా ప్రత్యేకంగా సంభవించాయి?
- గాను ఎందుకంటే ప్రత్యేకంగా ప్రత్యేకంగా సంభవించాయి?
- గాను ఎందుకంటే ప్రత్యేకంగా ప్రత్యేకంగా సంభవించాయి?
- “ఇక్కడ గాను యొక్క మాత్రం ఇవి రెండవ కూడా సంభవించాయి.”

8.3.5. గాను - పదశ్రేణి

- గాను ఎందుకంటే ప్రత్యేకంగా ప్రత్యేకంగా సంభవించాయి?
- గాను ఎందుకంటే ప్రత్యేకంగా ప్రత్యేకంగా సంభవించాయి?
- “ఇక్కడ గాను యొక్క మాత్రం ఇవి రెండవ కూడా సంభవించాయి.”

8.3.6. గాను ప్రమాణాలు

“ఇక్కడ గాను యొక్క మాత్రం ఇవి రెండవ కూడా సంభవించాయి.”
GST repealed various complex acts of indirect taxes.

Promoting “Make in India” initiative.

8.3.5. DISADVANTAGES OF GST

- Increased costs of software purchase for filing returns in GST is expensive.
- Insurance premiums have been made expensive.
- Taxes are also levied under GST on things like wheel chairs, Braille paper, hearing aids etc., penalizing physically challenged persons.

- GST is not levied on Petroleum products, which is against the ideals of unification of goods/commodities.

8.3.6. IMPACT OF GST

Impact on Indian Economy

The Government of India took a revolutionary step to reform the indirect tax structure in India, with the slogan “One Nation-One Tax”.

The idea behind introducing GST in the entire country is to benefit every citizen as well as manufacturers and traders by implementing a good and simple tax.

- The GST provides simple tax structure. The buyer can have a clear idea over the tax he is paying, while purchasing goods and the calculation of tax is also very easy.

- Small and Medium Enterprises (SME) are benefited under composition scheme with the introduction of GST and inturn, there is a good generation of revenue to the Government. SMEs can pay taxes according to their Annual turnover.

- Customs duty is reduced substantially and assuch, there can be a great increase in exports of goods or services.

- GST is implemented in more than 160 countries all over the world, where there is only “One Nation, One Tax” system. GST is a transparent tax system and reduces different Indirect taxes.

- The Government of India introduced GST in our country, which simplifies the maintenance of records and facilitates ease of doing under composition scheme for certain categories filing of returns became very easy.

- As there are no hidden taxes, a customer has every information about the tax system and activity of business becomes easy.
అభిమానము ప్రతి పదార్థం ప్రతి మందితో ప్రతి సంఖ్య ప్రతి సంహారం ప్రతి సంస్థ ప్రతి సమాధానం ప్రతి సమాచారం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం.

- అభిమానము ప్రతి పదార్థం ప్రతి మందితో ప్రతి సంఖ్య ప్రతి సంచారం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం

- అభిమానము ప్రతి పదార్థం ప్రతి మందితో ప్రతి సంఖ్య ప్రతి సంచారం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం.

- “అభిమానము ప్రతి పదార్థం” ప్రతి పదార్థం ప్రతి సంఖ్య ప్రతి సంచారం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం

- “అభిమానము ప్రతి పదార్థం” ప్రతి పదార్థం ప్రతి సంఖ్య ప్రతి సంచారం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం

అవగాహనం
అభిమానము ప్రతి పదార్థం ప్రతి సంహారం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం ప్రతి సమాధానం.
The mission “Make in India” gets a booster from the GST and Indian goods can compete successfully not only in domestic market, but also in foreign trade. This ultimately increases our Foreign Exchange Reserves.

- **Impact on Business**
  
  The impact of GST is on business too. GST facilitates removing tax on tax i.e. cascading effect of taxes. Manufacturing costs come down, because of the reduction of taxes which ultimately results in lowering prices. Goods and services become available sufficiently to the consumers because of Single tax system. There will be an increase in demand of goods and services and the production can also be increased in this system.

  Though initially the businessmen faced some difficulties in shifting to the new system, now they are all accustomed to the present GST. Before the introduction of GST, business people were answerable to various authorities because of the multiple tax system and now as there is only one tax system, it is easy for the businessmen to do their transactions.

- **Impact on consumers**
  
  Majority of population in India is dependent on agriculture or agro based industries. Most of the people belong to middle class or working class. The common man gets goods at lower prices and can understand the percentage of tax paid because of simple and one tax system of GST.

- **Impact on real estate**
  
  Real estate industry is one of the most vital industries of India. The influence of this industry on the economy is very high. It provides employment to many sections of people. It is very important for wealth generation. It contributes 6 to 8 percent to the GDP of the Nation. It is the major industry after IT sector in terms of employment and infrastructural development.

  Previously, the real estate industry had to pay multiple taxes. With the introduction of GST there is only one and simple tax system. There are no hidden or other indirect taxes. The developers get input tax credit (ITC) under GST, which was not properly administered previously. Buyers have clarity over the simple tax system of GST and they are also benefited because of the reduction in prices of property.

  Naturally, people of the Nation aspire to own a house and the Real Estate industry fulfills their dreams. The Real Estate industry has an permanent impact on other sectors also. The cement, steel, paint and other related industries also get an upbeat in the growth of business, fostering employment and wealth generation.

8.4. **POLITICAL STABILITY**

India is the biggest democracy in the world, with diversified traditions, cultures, languages and climatic conditions. In spite of all the diversities India stands united. The real strength of India lies in its diversity which leads to the strong spirit of National Integration. The aspirations and sentiments of the people of the country are reflected in the political scenario.
8.4. శాస్త్రము పుట్టడం

మినుగా ప్రపంచంలో, మినుగా అధికారం, మినుగా రాష్ట్రం, మినుగా రాజులు తమ ప్రచేతించడానికి కష్టులు జరిగాలి, వాటికి ఉండే సమస్యలు అయిన కారణంగా అద్భుతంగా ఉండేంది. అప్పుడు విశాఖాపుట్టూ వ్యాసం చేయడానికి తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేందుకు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేంటు తమ విచారాను ఉంచడం జరిగాలి.

మినుగా ప్రపంచంలో, మినుగా అధికారం, మినుగా రాష్ట్రం, మినుగా రాజులు తమ ప్రచేతించడానికి కష్టులు జరిగాలి, వాటికి ఉండే సమస్యలు అయిన కారణంగా ఉండేంది. అప్పుడు విశాఖాపుట్టూ వ్యాసం చేయడానికి తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేందుకు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేంటు తమ విచారాను ఉంచడం జరిగాలి.

8.4. శాస్త్రము పుట్టడం

మినుగా ప్రపంచంలో, మినుగా అధికారం, మినుగా రాష్ట్రం, మినుగా రాజులు తమ ప్రచేతించడానికి కష్టులు జరిగాలి, వాటికి ఉండే సమస్యలు అయిన కారణంగా ఉండేంది. అప్పుడు విశాఖాపుట్టూ వ్యాసం చేయడానికి తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేందుకు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేంటు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేందుకు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేంటు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేందుకు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేంటు తమ విచారాను ఉంచడం జరిగాలి. 2014 జనవరి మాసములో కంటే కంటే ప్రధానమైన గుండా ప్రాంతం కంటే ప్రస్తుతం సత్యమును చేపడం జరిగాలి. అప్పుడు వ్యాసం చేసేంటు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేందుకు తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేండా తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేండా తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేండా తమ విచారాను ఉంచడం జరిగాలి. అప్పుడు వ్యాసం చేసేండా తమ విచారాను ఉంచడం జరిగాలి.
The economy of the nation has a strong influence on the political stability. Political system and economic policies have an inseparable bondage with each other. The implementation of GST made the trade easy in the Nation and across the world. Quality comes from competition. The Indian market is potential enough to compete with global markets. It is able to withstand the challenges of quality of goods.

There is a good wealth generation in the form of simple tax system of GST which ultimately gives the Government good Revenue. The Government inturn can spend on the development of infrastructure and social welfare. Demonetisation of legal tender money of the higher value of Rs. 500 and Rs. 1000 units was announced on 8th November, 2016 and came into effect from 9th November, 2016.

Shri Narendra Modi promised the people of the Nation in his election campaigning of the general election 2014, that steps would be taken to bring out black money, which would be spent for the cause of the poor. As a part of the fulfillment of the promise made to the people, the Government under the leadership of Hon’ble Prime Minister Shri Narendra Modi took a challenging decision of demonetisation.

General elections of the Nation were held in 2019 after the announcement of demonetisation in the year 2016 and the implementation of GST in 2017. The mandate of people was in favour of the Government under the leadership of the Hon’ble Prime Minister Shri Narendra Modi. The judgement of people clearly indicates the support of the Nation to the policies of the NDA Government with particular reference to demonetisation and implementation of GST apart from many other policies.

8.5. LEGAL CHANGES

Demonetisation and GST brought many legal changes in the country. All the citizens of the Nation should accept the changes made in the policies of the Government.

- Citizens should return the old currency notes of Rs. 500 and Rs. 1000 to the Government through banks. For this act of returning the old currency notes, the Government of India fixed a time period till 30th December, 2016. Holding the old currency notes with the citizens after 30th December, 2016 is an offence as per the New Law.

- Withdrawal of large amounts of cash is not permitted as per the new guidelines of Reserve Bank of India. If the cash withdrawal exceeds the permitted limit, tax deduction at source will be made.

- People can perform cashless and online transactions, for which there is no restriction of upper limits.

- After demonetization, there has been a great shift from informal economy to formal economy. Formal economy is registered automatically and attracts the attention of Authorities.

- The GST also brought about many legal changes.
8.5. వాస్తవానికి సంశయం

ఇంద్రపూర్ మండలం శెయా నాగపూర్ గ్రామం పాలను చేసే సహాయ ప్రభుత్వం. ఎందుకంటే ముఖ్యాంగం
నాగపూర్ మండలం ప్రచురం సందర్భంలో ఎంతా పాలను చేయడానికి ప్రభుత్వం ముఖ్యమైనది.

- బాగ్య విశేషాలు, మండలం పాలను చేసే ప్రభుత్వం ఎంతా పాలను చేయడానికి ప్రభుత్వం ముఖ్యమైనది.

- బాగ్య విశేషాలు, మండలం పాలను చేసే ప్రభుత్వం ఎంతా పాలను చేయడానికి ప్రభుత్వం ముఖ్యమైనది.

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- బాగ్య విశేషాలు, మండలం పాలను చేసే ప్రభుత్వం ఎంతా పాలను చేయడానికి ప్రభుత్వం ముఖ్యమైనది.
The multiple tax system is replaced by single tax system with the introduction of GST.

Uniformity of tax system all over the Nation is implemented as against the old system of tax variation in different States.

Cashless and online transactions are introduced for payment of taxes and filing of Returns contrary to the old system.

Hidden taxes and other deceptive methods are prevented in the new system – GST.

SME’s are permitted to pay taxes under GST according to the annual turnover.

Input Tax Credit (ITC) is properly implemented and the traders and manufacturers are benefited by the New Legal System.

The new systems have introduced many legal changes, which are easy for understanding and implementation and thereby ultimate welfare of the Nation.

**KEY TERMS**

**Cascade Tax Effect:** Tax on Tax – It is a situation where in the consumer has to bear the load of Tax on Tax.

**Formalization of Economy:** Formalization of economy means encouraging people to perform “Online” transactions, which is registered and available for scrutiny.

**Integrated GST (IGST):** Integrated GST is shared between the Central Government and State Government as per prescribed norms.

**Intrastate Business:** Intra state business is business conducted within a particular state.

**Interstate:** Interstate business is conducted between States

**REVIEW QUESTIONS**

1. The last date for depositing old currency of Rs. 500 and Rs. 1000 __
   a. December 31, 2016
   b. January 1, 2017
   c. December 30, 2016
   d. None of the above
2. Demonetisation encourages the following payments
   a. Online transactions
   b. Payment by Rupay and Bhim Apps
   c. Phone Pe and Google Pay
   d. All of the above

3. GST is applicable
   a. All States
   b. Union Territories only
   c. All States & Union Territories
   d. Central Govt, all States and UTs

4. GST is not levied on
   a. Industrial Alcohol
   b. Goods and Services
   c. Petroleum products
   d. None of the above.

5. A contract is discharged by the breach when a party to a contract
   a. Refuses to perform his promise
   b. Fails to perform his promise
   c. Able to perform only a part of the promise
   d. All of the above.

6. The provisions of consumer protection Act is applicable to
   a. Goods
   b. Services
   c. Goods or Service
   d. Goods and Service

7. The main objective of GST
   a. Different taxes for different States
   b. Different taxes for Union Territories
   c. Different taxes for UTs and States
   d. One Nation One Tax

8. After demonetisation, Government of India brought the following new currency units
   a. Rs. 500 and Rs. 1000
   b. Rs. 1000 and Rs. 2000
   c. Rs. 500 and Rs. 2000
   d. None of the above
9. The main objective of demonetisation is
   a. Encourage black money
   b. Prevent black money and corruption
   c. Discourage fake money only
   d. None of the above

10. GST is not levied on the following
    a. Industrial Alcohol
    b. Wheel chairs, Braille paper & hearing aids
    c. Petroleum products
    d. None of the above

11. GST encourages
    a. Tax on Tax
    b. Tax evasion
    c. All indirect taxes under one umbrella
    d. None of the above

12. Make in India mission is undertaken
    a. To encourage indigenous manufacture
    b. To import goods from abroad
    c. To encourage “entrepo” trade
    d. None of the above

13. Under the consumer protection Act who shall constitute consumer protection council ______
    a. President of India
    b. Central Government
    c. State Government
    d. Supreme court of India.

14. New Companies Act came into force in the year ___
    a. 1956
    b. 2003
    c. 2020
    d. 2013

15. The full form of FEMA, 1999 is
    a. Foreign Exports and Management Act
    b. Foreign Exports Maintenance Act
    c. Foreign Exchange Maintenance Act
    d. Foreign Exchange Management Act
ANSWERS

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INTERACTIVE LINKS

Legal Environment: https://www.indiastudychannel.com>

What is Legal Environment: IndiaStudy Channel.com

Demonetisation: The economic and political consequences of India’s demonetisation
https://www.voxdev.org>

Goods and Service Tax (GST): https://www.selfservice.gstsystem.i
Chapter 9

Learning Outcomes:
After reading this chapter, the student should be able to:
1. understand the concept of Global Environment
2. define Globalisation, its advantages and disadvantages
3. analyse the impact of Globalisation in business environment
4. assess the objectives of WTO and IBRD
5. examine the functions of WTO and IBRD and its influence on Economy

Chapter Layout:
9.1. Global Environment
9.2. Globalization
   9.2.1. Characteristics of Globalisation
   9.2.2. Important components of Globalisation
   9.2.3. Advantages of Globalisation
   9.2.4. Disadvantages of Globalisation
9.3. World Trade Organization – (WTO)
   9.3.1. Organization and Structure of WTO
   9.3.2. Features of WTO
   9.3.3. Role and Functions of WTO
   9.3.4. The importance of the WTO in World Trade
   9.3.5. Criticism on WTO
9.4. International Bank for Reconstruction and Development (IBRD)
   9.4.1. Organisation and structure
   9.4.2. Functions of IBRD
   9.4.3. IBRD lending to India
విపరీత విచారణలు

విపరీత విచారణలు ప్రశ్నలు మరియు ప్రచురించబడిన విచారణలను ప్రస్తావించడాన్ని ప్రతౌతిస్తుంది. 1991 LPG ప్రత్యేకమైన సమాధానం, అమ్మల అంధ్రప్రదేశ్ ప్రాంతంలో అమ్మల నిర్ణయంతో ప్రవహించారు. అమ్మల పరిశీలన యొక్క తరువాత విచారణలను లభించింది, తరువాతి విచారణలను లభించారు. అమ్మల పరిశీలన యొక్క తరువాత విచారణలను లభించారు. అమ్మల పరిశీలన యొక్క తరువాత విచారణలను లభించారు. అమ్మల పరిశీలన యొక్క తరువాత విచారణలను లభించారు. అమ్మల పరిశీలన యొక్క తరువాత విచారణలను లభించారు. అమ్మల పరిశీలన యొక్క తరువాత విచారణలను లభించారు. అమ్మల పరిశీలన యొక్క తరువాత విచారణలను లభించారు. అమ్మల పరిశీలన యొక్క తరువాత విచారణలను లభించారు.
Globalisation is the integration of domestic economy with world economy. After LPG reforms of 1991, Indian economy is more open than ever with the world economies. Indian firms now have to compete with international manufacturers and can also cater to international customers. Not only Indian economic environment affects Indian business but also the global environment does.

In this chapter an attempt has been made to define globalisation, discuss its characteristics, components, advantages and disadvantages of brief explanation of what global environment means and how it impacts on domestic business is also given.

Multilateral economic organisations play a key role in setting up the economic order in international business. Their rulings have businesses in every country. WTO specifically deals with rules pertaining to International goods and services. IBRD being the biggest bank in the world, functions to eliminate world poverty. Thus their study in this chapter is important subject matter to global economic environment specifically and business environment in general.
9.1. గురించి విస్తరణ

ప్రత్యేకంగా ముఖ్యంగా మీదుగా అందించబడిన నిర్భాసాల నుండి. ప్రత్యేకంగా నిర్భాసాల

నిర్భాసాల మీద ఉన్నతంగా నిర్భాసాల అందుబాటుకు నిర్భాసాల అనే కంటే ప్రత్యేకంగా


రాశాలించబడిన మీదుగా నిర్భాసాల అనే కంటే ప్రత్యేకంగా ఉంటే చోటు వచ్చు. ఈ ప్రత్యేకంగా నిర్భాసాల


అందించబడిన మీదుగా నిర్భాసాల అనే కంటే ప్రత్యేకంగా ఉంటే చోటు వచ్చు. ఈ ప్రత్యేకంగా నిర్భాసాల


9.2. అవసరాలు

ప్రత్యేకంగా మీదుగా మనం నిర్భాసాలు చేసిన లేదు (ఇతరానికి ఈయన మనం నిర్భాసాలు చేసిన లేదా). 20 రోజుల వచ్చిన సంప్రదాయం ఈయన మనం నిర్భాసాలు చేసిన లేదా. ఈ మనం నిర్భాసాలు చేసిన లేదా. 1990 యొక్క సంప్రదాయం నిర్భాసాలు చేసిన లేదా.

ప్రత్యేకంగా మీదుగా మనం నిర్భాసాలు చేసిన లేదా (ఇతర సంప్రదాయం ఈయన మనం నిర్భాసాలు చేసిన లేదా). 20 రోజుల వచ్చిన సంప్రదాయం ఈయన మనం నిర్భాసాలు చేసిన లేదా. 1990 యొక్క సంప్రదాయం నిర్భాసాలు చేసిన లేదా.

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9.1. GLOBAL ENVIRONMENT

Global environment can be defined as the environment in different countries, outside of home country that can influence how businesses are run and how business decisions are taken. Global environment is part of the macro environment of the business. No country can run their economy in complete isolation. Every National economy is integrated with the global economy in some way. Internal trade relations, imports, exports, trade agreements between Nations are examples for global environmental factors.

Global environment basically consists of international interactions of a firm over which it has no control. So, now in this global market with such a high level of competitiveness, all companies must be mindful of the global environment. For example, an Indian electronics company can face many challenges if China gives incentives for electronics exports. Similarly, foreign investors in India may pull their investments out of our country if China eases entry of foreign investments. Thus, business enterprises should be aware of global factors that can impact their businesses locally.

9.2 GLOBALIZATION

The term globalization first appeared in the early 20th century (supplanting an earlier French term mondialization), developed its current meaning sometime in the second half of the 20th century, and came into popular use in the 1990s.

Theodore Levitt, a former professor at the Harvard Business School credited with coining the term “globalization” and with championing the undervalued role of marketing in defining what businesses should make and sell. Peter Sutherland, is known as the ‘father of globalisation’

Globalization is the spread of products, technology, information, and jobs across national borders and cultures. In economic terms, it describes an interdependence and economic integration of Nations around the globe fostered through free trade. A modern world can be seen without geographical boundaries and any kind of barriers. Globalization has been the major force behind this. Globalization hit India late but had huge impact in the Nations economic policies and various other aspects

A core element of globalization is the expansion of world trade through the elimination or reduction of trade barriers, such as import tariffs. Greater imports offer consumers a wider variety of goods at lower prices, while providing strong incentives for domestic industries to remain competitive. Exports, often a source of economic growth for developing nations, stimulate job creation as industries sell beyond their borders.

Globalization refers to the integration of goods, services, and culture among the Nations of the world. Globalisation is defined as the rise in economic interdependencies on a global scale. It is open flow of information, technology, and goods among countries and consumers. One of the effects of globalization is that it promotes and increases interactions between different regions and populations around the globe.
9.2.1. Sub-section - Analysis

- Details about the analysis of the subject.
- Discussion on the findings.
- Recommendations for further studies.
- Conclusion of the analysis.

9.2.2. Sub-section - Methodology

- Description of the methodology used in the study.
- Details about the data collection.
- Analysis of the data.
- Conclusion of the methodology.
9.2.1. CHARACTERISTICS OF GLOBALISATION

- Global transportation network reduces the time and space between places. Information transmission is not limited by time and space. Events happen in different places affect each other.

- Economic, political and cultural activities are less restricted by National borders.

- Capital, resources and goods flow across boundaries. People can travel to, live or work in other places easily. Information can be spread quickly from place to place. Mobility will automatically increases.

- People have more chances to interact with each other. More economic, political and cultural integration appears among countries. There will be increasing interaction and exchange.

- Inter-governmental organisations are gradually set up global systems to facilitate global trade and financial activities and to facilitate negotiations.

9.2.2. IMPORTANT COMPONENTS OF GLOBALIZATION

Globalization of markets
Rapidly developing economies have huge markets. In developed economies, some companies operate below capacities. The emerging new markets offer immense opportunities to increase their sales and profits. A wide variety of products and services are offered in world-wide markets.

Globalization of production
Many MNCs are locating their subsidiaries in low wage, and low cost countries. They take advantage of low cost of production. This is called as globalization of production. Main reasons for globalization of production are:

- availability of quality raw materials and components in the other countries;
- availability of inputs at low cost in foreign countries;
- availability of human resources at low cost;
- liberal labour laws in foreign countries and
- facility of exporting to other neighbouring foreign countries.

Globalization of investment
The early period of 20th century saw high levels of barriers on trade and investment. Many countries created barriers relating to exports, imports and foreign investment. This was done to protect the domestic industry. The creation of General Agreement on Tariff and Trade(GATT) reduced the trade restrictions. The establishment of World Trade Organisation (WTO) contributed for the elimination of investment barriers substantially. Government of India also reduced the barriers on investment. It
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allowed more than 51 percent of the foreign investment in the Indian companies. At present, 100 percent FDI is permitted. Important reasons for globalization of investment are:

- Rapid increase in the volume of trade
- Congenial investment conditions
- Limitations of exporting and licensing.
- Liberalizing investment criteria.

**Globalization of technology:**
New, faster and cheaper tools of communication, Internet and electronic communication inter-linking many people simultaneously. Cellular phones, Fax machines, Computer Aided Design. Faster and cheaper transport by air, travel and road. These are components of globalization of IT. Manufacturing technology, assembly line operations are undertaken globally.

**9.2.3. ADVANTAGES OF GLOBALIZATION**

- Globalization makes it easier to access foreign culture, including food, movies, music, and art.

- Many countries around the world remain constantly connected, so knowledge and technological advances travel quickly.

- Globalization allows companies to find lower-cost ways to produce their products. It also increases global competition, which drives prices down and creates a larger variety of choices for consumers. Lowered costs help people in both developing and already-developed countries live better on less money.

- Developing Nations experience an improved standard of living due to globalization.

- Businesses gain a great deal from globalization, including new customers and diverse revenue streams. Companies interested in these benefits look for flexible and innovative ways to grow their business overseas.

- In addition to new markets, globalization allows companies to find new, specialized talent that is not available in their current market.

- Any country can borrow the technology through the agreement and can implement it in their country for their overall development. We can communicate each other easily from any part of the globe by using advanced technology at minimal cost, time and efforts.

- Globalization always provides us better services. Through the technological advancement, our services like water supply, mobile networking, internet, electricity supply and any other services have been easier and better than before.
9.2.4. Suzhou Series - Outline

- Suzhou Series, also known as the Suzhou Declaration, was a significant milestone in the history of the World Trade Organization (WTO). The declaration was adopted in 1995 and laid the groundwork for the establishment of the WTO as an international organization.

- The Suzhou Series covered various aspects of trade liberalization, including market access, trade in goods, services, and investment. It also addressed issues such as intellectual property rights, trade facilitation, and trade-related aspects of competition policy.

- The adoption of the Suzhou Series was a crucial step towards the establishment of the WTO as a forum for resolving trade disputes and promoting free trade. The series helped to establish the legal framework for international trade and paved the way for the WTO's role in promoting economic growth and development.

9.3. The WTO - (WTO)

- The World Trade Organization (WTO) is a global international organization that was established in 1995 with the aim of promoting free trade and economic growth. It is the successor to the General Agreement on Tariffs and Trade (GATT), which was established in 1948.

- The WTO is composed of 164 member countries that are committed to the principles of free trade and open markets. It provides a forum for member countries to negotiate trade agreements and settle trade disputes.

- The WTO is headquartered in Geneva, Switzerland, and is governed by a Ministerial Conference, which is the highest decision-making body. The organization is also guided by a seven-member Bureau, which includes the Director-General and six Assistant Directors-General.

- The WTO's analytical work is carried out by the General Council, which is composed of representatives from each member country. The General Council meets four times a year to discuss various issues related to international trade.

- The WTO's decisions are binding on member countries, and failure to comply with WTO rulings can lead to trade sanctions. The organization also provides dispute settlement mechanisms for member countries to resolve their trade disputes.

- The WTO's achievements include the reduction of trade barriers, the liberalization of trade in services, and the promotion of intellectual property rights. The organization has also played a key role in promoting sustainable development and addressing climate change.

- The WTO's future challenges include ensuring that the benefits of free trade are shared equitably, addressing the wide gap in development levels among its member countries, and tackling new challenges such as e-commerce and digital trade.

- Overall, the WTO has played a significant role in promoting global economic growth and development. It has been a crucial institution for resolving trade disputes and promoting free trade, and it is expected to continue to play a key role in the future of international trade.
Globalization promotes extension of market. It provides an opportunity to the domestic companies in reaching global.

9.2.4. DISADVANTAGES OF GLOBALIZATION

- Globalization can increase inequality throughout the world by increasing specialization and trade. Although specialization and trade boost the per-capita income, it may cause relative poverty.

- Globalisation increases the unemployment. Globalisation demands for higher skilled work with cheaper price. But, countries where institutions are relatively weak are not capable of producing highly skilled workers. As a result, the unemployment rate is increasing in those countries.

- Developing countries are so much dependent on the developed countries in terms of import goods but their export capabilities are lower than import. The trade imbalance has been occurring due to this globalisation.

- The pace of industrialization is increasing as the result of globalization. It boosts the economic growth. But, it harms environment and loots the nature and it affects the globe badly.

9.3. WORLD TRADE ORGANIZATION - (WTO)

The World Trade Organization is the international organization dealing with the global rules of trade. Its main function is to ensure that international trade flows as smoothly, predictably and freely as possible. It works on implementing, regulating and operating trade agreements between countries, and provides a fair forum for trade negotiations between member countries, mediating on disputes as they arise. It aims to help with imports, exports and conducting trade fairly.

The World Trade Organisation (WTO) was set up in 1995 in Geneva. It came about to replace another international organisation called the General Agreement on Tariffs and Trade (GATT), which was formed in 1948 between 23 countries, with the aim of reducing customs tariffs and creating a fair platform for member countries. The WTO has replaced GATT and it has a much wider scope. GATT regulated trade in merchandise goods, while the WTO is also involved in trade of goods and services, such as telecommunications and banking, as well as a number of other issues, such as intellectual property rights.

As of 2003, it had 145 members, with another 25 countries negotiating their membership. By this point, the organisation had handled more than 280 trade disputes between member countries concerning political and legal issues, and those concerning international trade and global economics. Now,
9.3.1. WTO- స్టూపిందిత విశ్లేషాణం


9.3.2. పంపండి చిత్రం

♦ మామిడివి GAAT చేసి WTO మామిడివి పంపండిత నుండి పంపండిత నుండి అంతే పంపండిత నుండిదొండ్డను పంపండిత నుండిదొండ్డను పంపండిత నుండితో పంపండిత నుండితో పంపండిత నుండితో పంపండిత నుండిదొండ్డను పంపండిత నుండిదొండ్డను పంపండిత నుండిదొండ్డను పంపండిత నుండితో పంపండిత నుండితో 

♦ WTO పంపండిత నియమాలను తముండు మామిడివి పంపండిత నుండి పంపండిత నుండిదొండ్డను పంపండిత నుండితో పంపండిత నుండిదొండ్డను పంపండిత నుండితో 

♦ WTO నియమాలను తముండు మామిడివి పంపండిత నుండిదొండ్డను పంపండిత నుండిదొండ్డను పంపండిత నుండిదొండ్డను పంపండిత నుండిదొండ్డను పంపండిత నుండితో 

♦ WTO పంపండిత నియమాలను తముండు 

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WTO has 162 members, and a further 21 countries who have applied to join, including Iran, Iraq and Syria. The European Union countries are all members, but they come under one EU bloc.

9.3.1. Organisation and Structure of WTO
The WTO Secretariat is headed by a Director-General. The highest authority of the WTO is the Ministerial Conference, which is a makeup of representatives of its member states. The Ministerial Conference meets at least once in two years. It is the decision making organ of the institution. Under GATT 1947 consensus must be achieved in order to reach a decision. Under WTO, decisions of the Ministerial Conference and the General Council are made by consensus. The General Council is the administrative organ. There are also special councils below the level of the General Council. These include, Council for Trade in Goods, Council for Trade in Services, Council for TRIPS and further subsidiary bodies. Several committees also exist, such as: Committee on Trade and Development, Committee on Balance-of-Payments Restrictions and Committee on Budget and Finance. Unlike GATT, WTO has international legal personality.

9.3.2. FEATURES of WTO
The major features of the World Trade Organisation are ..

- The scope of WTO is far more expansive than the erstwhile General Agreement on Trade and Tariff. For instance, GATT solely focused on goods while excluding textiles and agriculture. On the other hand, WTO covers all goods, services and investment policies along with intellectual property.

- WTO Secretariat has formalised and bolstered the mechanisms for the review of policies as well as the settlement of disputes. This aspect has become crucial due to proliferation of member countries and more number of goods and services being covered by the WTO. Another important consideration in this regard is the substantial increase in open access to different international markets.

- There are rules implemented for the protection of small and weak countries against the discriminatory trade practices of developed countries.

- National Treatment articles and Most Favoured Nation (MFN) clause permits equal access to markets for just treatment of both domestic and foreign suppliers.

- Each member country of the WTO carries single voting right and all members enjoy privilege on the global scale.

- The WTO agreements encompass all the member states and acts as a common forum of deliberation for the members.
9.3.3.  

**The WTO - A Promising Opportunity**

The WTO offers a promising opportunity for countries to enhance their economic growth and development through increased trade and investment. The organization was established in 1995 as the successor to the General Agreement on Tariffs and Trade (GATT) and serves as a forum for member countries to negotiate and implement trade-related agreements.

The WTO operates under four main agreements:

1. **Agreement on Textiles and Clothing (ATC)**: This agreement facilitates trade in textiles and clothing.
2. **General Agreement on Tariffs and Trade (GATT)**: This agreement sets the rules for international trade, including tariffs.
3. **Agreement on Agriculture (AoA)**: This agreement addresses the trade issues related to agriculture.
4. **Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)**: This agreement establishes international standards for intellectual property rights.

The WTO has a dispute settlement system that allows member countries to resolve trade disputes through negotiations and, if necessary, through binding rulings.

In conclusion, the WTO offers significant benefits to member countries, including increased trade opportunities, improved investment climate, and enhanced economic development.

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9.3.3. ROLES AND FUNCTIONS OF WTO

The broad reach of WTO and its functions have been mentioned below.

**Establishing and enforcing Rules for International Trade**

The international trading rules by the World Trade Organisation are established under three separate agreements – rules relating to the international trade in goods; the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the General Agreement on Trade in Services (GATS). The enforcement of rules by the WTO takes place by way of a multilateral system of disputes settlement in the instances of violation of trade rules by member countries. The members are obligated under ratified agreements to honour and abide by the procedures and judgments.

**Acting as a Global Apex Forum**

World Trade organisation is the global forum for monitoring and negotiating further trade liberalisation. The premise of trade liberalisation measures undertaken by WTO is based on the benefits of member countries to optimally utilise the position of comparative advantage due to free and fair trade regime.

**Forum for member countries discuss future strategies**

The WTO, as a forum, allows for trade negotiations in the multilateral trading system. In the absence of trade negotiations, growth may stunt, and issues related to tariff and dumping may go unaddressed. Further liberalisation of trade is also subject to consistent trade negotiations.

**Implementing and administering bilateral and multilateral trade agreements**

The bilateral or multilateral trade agreements have to be necessarily ratified by the parliaments of respective member countries. Unless such ratification comes through, the non-discriminatory trading system cannot be put into practice. The executed agreements will ensure that every member is guaranteed to be treated fairly in other members’ markets.

**Trade dispute settlement**

The dispute settlement by the WTO is concerned with the resolution of trade disputes. Independent experts of the tribunal interpret the agreements and give out judgment mentioning the due commitments of the concerned member states. It is encouraged to settle the disputes by way of consultation among the members as well.

**Optimal utilisation of the world’s resources**

Resources across the world can be further optimally utilised by harnessing the trade capacities of the developing economies. It requires special provisions in the WTO agreements for the least-developed economies. Such measures may include providing greater trading opportunities, longer duration to implement commitments, and also support to build the sue infrastructure.

**Increasing transparency in the decision-making process**

The World Trade Organisation attempts to increase transparency in the decision-making process by way of more participation in the decision-making and consensus rule, in particular. The combined effect of such measures helps to develop institutional transparency.
9.3.4. WTO ప్రాథమిక సమాచారం

WTO వివిధ ప్రాంతాల సంబంధిత విధాన అధికారాల సమేత సాధనాలతో వినియోగాల పద్ధతి వాడుకోవడానికి ఇది నిర్ణయించి వచ్చింది.

- WTO వైస్యాల ప్రాంతాల సంబంధిత విధాన అధికారాల సమేత సాధనాలతో వినియోగాల పద్ధతి వాడుకోవడానికి ఇది నిర్ణయించింది సంపాదనాత్మక పద్ధతి వచ్చింది.
- WTO వైస్యాల ప్రాంతాల సంబంధిత విధాన అధికారాల సమేత సాధనాలతో వినియోగాల పద్ధతి వాడుకోవడానికి ఇది నిర్ణయించింది సంపాదనాత్మక పద్ధతి వచ్చింది.

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Collaboration between International economic institutions
The global economic institutions include the World Trade Organisation, the International Monetary Fund, the United Nations Conference on Trade and Development, and the World Bank. With the advent of globalisation, close cooperation has become necessary between multilateral institutions. These institutions are functional in the sector of formulation and implementation of a global economic policy framework. In the absence of regular consultation and mutual cooperation, policymaking may be disrupted.

Safeguarding the trading interest of developing countries
Stringent regulations are implemented by the WTO to protect the trading interests of developing countries. It supports such member countries to leverage the capacity for carrying out the mandates of the organisation, managing disputes, and implementing relevant technical standards.

9.3.4. IMPORTANCE OF WTO IN WORLD TRADE
WTO is at the forefront of efforts to ensure unimpeded global free trade and reduce trade barriers, operating on a rules-based multilateral system.

- It has made important contributions to the progress made around the world towards promoting global trade. This has led to the growth of a number of economies, the emergence of new markets – all important factors not only in improving business, but also in lifting people out of poverty.

- It does this by implementing, regulating and operating trade agreements between countries, and provides a fair forum for trade negotiations between member countries, mediating on disputes as they arise. It aims at helping with imports, exports and conducting trade fairly.

- WTO also cooperates with the IMF (International Monitory Fund) and World Bank to ensure global economic policies are fair and cohesive. Therefore, it isn’t a matter of the WTO being important for international business, but of it being absolutely fundamental.

- Different countries operate on different regulations and rules between different countries, and it’s not easy for an international business to stay on top of these when it operates in multiple countries. But the job would be a lot more difficult if these rules were unfair or unreliable, or not consistently applied.

- The importance of a regulatory body such as the WTO is especially pressing at a time of such pronounced global uncertainty – several of its members are currently using it to dispute increasing protectionist tendencies, trade tariffs and immigration difficulties imposed by developed countries.

- Understanding the work and nature of the WTO is therefore an important part of remaining aware of the changing landscape of international landscape. In uncertain times, having the right advice and support is crucial. WTO is the right organisation to act accordingly.
WTO తన విదేశాలు దేశపు సంస్థలు మాత్రమే బిల్లులు మీద పరిశీలించే విభిన్న రూపాలు సంపాదించే చేస్తారు. WTO దేశాలు విదేశాలు సంస్థ పై నియంత్రణ చేసే విభిన్న సంస్థ ప్రదానం చేస్తాయి. WTO అంటే విదేశాలు సంస్థ లో కొన్ని విషయాలు వేరే గణాధికారాలు మారోచేస్తాయి.

9.3.5. WTO ప్రధాని

కోసం విదేశాలు సంస్థ నిర్ణయాలను విదేశాలు సంస్థ లో కొన్ని విషయాలు వేరే గణాధికారాలు మారోచేస్తాయి. WTO అంటే విదేశాలు సంస్థ లో కొన్ని విషయాలు వేరే గణాధికారాలు మారోచేస్తాయి.

విదేశాలు సంస్థ ప్రధాని

WTO సంహారితమైన దేశాలు సంస్థల కార్యాలు చేయడానికి అత్యధిక పరిశ్రమ వేయాయి. WTO దేశాలు విదేశాలు సంస్థ పై నియంత్రణ చేసే విభిన్న సంస్థ ప్రదానం చేస్తాయి.

ఫింకింగ్ ప్రదానం

WTO దేశాలు సంస్థ పై నియంత్రణ చేసే విభిన్న సంస్థ ప్రదానం చేస్తాయి. WTO విదేశాలు సంస్థ పై నియంత్రణ చేసే విభిన్న సంస్థ ప్రదానం చేస్తాయి. 

US పై కాయలు USA పై కాయలు WTO పై కాయలు

US పై కాయలు USA పై కాయలు WTO పై కాయలు ఉదాహరణలు ప్రదానం చేస్తాయి. US పై కాయలు USA పై కాయలు WTO పై కాయలు ఉదాహరణలు ప్రదానం చేస్తాయి.
9.3.5. CRITICISM ON WTO

The World Trade Organisation is committed to improving free trade amongst its member countries. However, its role has been controversial – creating polarised views. These are some of the criticisms of the WTO.

Free Trade benefits to developed countries more than developing countries.
It is argued, developing countries need some trade protection to be able to develop new industries; this is important to be able to diversify the economy. It is known as the infant industry argument. Many developed economies used a degree of tariff protection in their development phase.

Most favoured nation principle.
This is a core tenant of WTO rules – countries should trade without discrimination. It means a local firm is not allowed to favour local contractors. It is argued this gives an unfair advantage to multinational companies and can have costs for local firms and the right of developing economies to favour their own emerging industries.

Failure to reduce tariffs on agriculture
Free trade is not equally sought across different industries. Both the US and EU retain high tariffs on agriculture, this hurts farmers in developing economies who face tariff protection.

Diversification.
Arguably, developing countries who specialise in primary products (e.g. agricultural products) need to diversify into other sectors. To diversify they may need some tariff protection, at least in the short term. Many of the existing industrialised nations used tariff protection when they were developing. Therefore, the WTO has been criticised for being unfair and ignoring the needs of developing countries.

Environment.
Free trade has often ignored environmental considerations. e.g. Free trade has enabled imports to be made from countries with the least environmental protection. Many criticise the WTO’s philosophy that the most important economic objective is the maximisation of GDP. In an era of global warming and potential environmental disaster, increasing GDP may be the least important. Arguably the WTO should do more to promote environmental considerations.

Free trade ignores cultural and social factors.
Arguably, a reasonable argument for restricting free trade is that it enables countries to maintain cultural diversity. Some criticise the WTO for enabling the domination of multinational companies which reduce cultural diversity and tend to swamp local industries and firms.

The WTO is criticised for being undemocratic.
It is argued that its structure enables the richer countries to win what they desire; arguably they benefit the most.
9.4. IBRD అభివృద్ధి ఫాండింగ్ లేదా బ్రిటీష్ హెచ్ ఎండ్ బ్యాంక్ (IBRD)

%90లో భాగం ఆయాల కొత్త పండీచ్చిన (IBRD) 189 కేంద్రాల కొండ ద్వారా ఉండే అధికారిక పాత్రాను చేస్తుంది. ఇందుకు ఉండండి ఒక హాంసా మినిసిపల్ అంశం, అఖండ పండిచ్చే ప్రత్యేక జాతిస్థానం, నీటి, నీటి మినిసిపల్ అంశం, లాంటి ప్రత్యేక జాతిస్థానం. యొక్క ప్రామాణ్యం ఆధారంగా లాంటి ఇంటియా-ఉపయోగం కోసలు రూపాంతరం సాధించాయి. ఇది ప్రాంతం మినిసిపల్ సాంస్కృతిక విద్యా మార్గం చేస్తుంది. ఇది ఇంటియా ఆర్థిక పరిస్థితి నిర్మాణ విధానం చేశాయి. ఇది అతి గొప్ప అధికారిక ప్రత్యేక అంశాన్ని చేస్తుంది.

ఇది ఒక మినిసిపల్ అంశం చేయడం కారణంగా ప్రామాణ్యం ఆధారంగా మినిసిపల్ సాంస్కృతిక విద్యా మార్గం చేశాయి. ఇది ఇంటియా ఆర్థిక పరిస్థితి నిర్మాణ విధానం చేశాయి. ఇది అతి గొప్ప అధికారిక ప్రత్యేక అంశాన్ని చేశాయి.
Slow progress.

Trade rounds have been notoriously slow and difficult to reach an agreement.

9.4. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

The International Bank for Reconstruction and Development (IBRD) is a global development cooperative owned by 189 member countries. As the largest development bank in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges. Its most recent aim is to reduce the poverty across the world.

The World Bank Group comprises five international organizations that provide loans to developing countries. These are:

- The International Bank for Reconstruction and Development (IBRD)
- The International Development Association (IDA)
- The International Finance Corporation (IFC)
- The Multilateral Investment Guarantee Agency (MIGA)
- The International Centre for Settlement of Investment Disputes (ICSID).

IBRD and IDA are sometimes jointly referred to as the World Bank. IBRD has 189 member nations while IDA has 173 member nations. IBRD was established at the 1944 Bretton Woods Conference, along with the International Monetary Fund (IMF). Both IMF and the World Bank work in tandem. The headquarters of IBRD is in Washington, D.C., United States.

The initial mission of the IBRD in 1944, was to finance the reconstruction of European nations devastated by World War II. Following the reconstruction of Europe, the Bank’s mandate expanded to advancing worldwide economic development and eradicating poverty. The IBRD provides commercial-grade or concessional financing to sovereign states to fund projects that seek to improve transportation and infrastructure, education, domestic policy, environmental consciousness, energy investments, healthcare, access to food and potable water, and access to improved sanitation.

The IBRD is owned and governed by its 189 member states, with each country represented on the Board of Governors. The IBRD has its own executive leadership and staff which conduct its normal business operations. The Bank’s member governments are shareholders which contribute and have the right to vote on its matters. In addition to contributions from its member nations, the IBRD acquires most of its capital by borrowing on international capital markets through bond issues.
1944 IBRD in the United States, United Kingdom, Japan, France, and the Netherlands. The United States and United Kingdom contributed a higher percentage of the initial capital subscriptions. The United States contributed 50% and the United Kingdom contributed 20% of the initial capital subscriptions. The contributions of other member countries were also significant. The initial capital subscriptions were based on the country's economic power and ability to pay. The initial capital subscriptions were used to fund the operations of the IBRD and IDA for the first three years of operations. The initial capital subscriptions covered the costs of establishing the IBRD and IDA and the costs of the first three years of operations. The initial capital subscriptions were not used to fund the operations of the IBRD and IDA after the first three years of operations. The initial capital subscriptions were never repaid to the member countries. The contributions of the United States and United Kingdom were used to fund the operations of the IBRD and IDA and the contributions of other member countries were used to fund the operations of the IDA. The initial capital subscriptions were used to fund the operations of the IBRD and IDA for the first three years of operations and the contributions of other member countries were used to fund the operations of the IDA after the first three years of operations.
9.4.1. Organization and Structure
The organization of the bank consists of the Board of Governors, the Board of Executive Directors and the Advisory Committee, the Loan Committee and the president and other staff members. All the powers of the bank are vested in the Board of Governors which is the supreme policy making body of the bank. The board consists of one Governor and one alternative Governor is appointed for five years by each member country. Each Governor has the voting power which is related to the financial contribution of the Government which he represents.

The Board of Executive Directors consists of 21 members, 6 of them are appointed by the six largest shareholders, namely the USA, the UK, West Germany, France, Japan and India. The rest of the 15 members are elected by the remaining countries. Each Executive Director holds voting power in proportion to the shares held by his Government. The board of Executive Directors meets regularly once a month to carry on the routine working of the bank.

The president of the bank is appointed by the Board of Executive Directors. He is the Chief Executive of the Bank and he is responsible for the conduct of the day-to-day business of the bank. The Advisory committee is appointed by the Board of Directors. It consists of 7 members who are experts in different branches of banking. There is also another body known as the Loan committee. This committee is consulted by the bank before any loan is extended to a member country.

Objectives
- To provide long-run capital to member countries for economic reconstruction and development.
- To induce long-run capital investment for assuring Balance of Payments (BoP) equilibrium and balanced development of international trade.
- To provide guarantee for loans granted to small and large units and other projects of member countries.
- To ensure the implementation of development projects so as to bring about a smooth transference from a war-time to peace economy.
- To promote capital investment in member countries by the following ways;
  - To provide guarantee on private loans or capital investment.
  - If private capital is not available even after providing guarantee, then IBRD provides loans for productive activities on considerate conditions.

9.4.2. Functions of IBRD
IBRD is playing main role of providing loans for development works to member countries, especially to underdeveloped countries. It provides long-term loans for various development projects of 5 to 20 years duration. The main functions are..
9.4.2. IBRD

9.4.3. Funds Other than IBRD

IDB

IDA

World Bank

75

19.2

27.0

25

11.2

272
provides various technical services to the member countries. For this purpose, the Bank has established “The Economic Development Institute” and a Staff College in Washington.

grants loans to a member country up to 20 percent of its share in the paid-up capital.

the quantities of loans, interest rate and terms and conditions are determined by the Bank itself.

generally, Bank grants loans for a particular project duly submitted to the Bank by the member country.

the debtor Nation has to repay either in reserve currencies or in the currency in which the loan was sanctioned.

Bank also provides loan to private investors belonging to member countries on its own guarantee, but for this loan private investors have to seek prior permission from those counties where this amount will be collected.

9.4.3. IBRD Lending to India

India has been borrowing from the World Bank for various projects in the area of poverty reduction, infrastructure and rural development etc. IDA funds are one of the most concessional external loans for the government of India and are largely used in the social sector projects that contribute to the achievement of the millennium development goals. The first World Bank loan to India was in 1948 of US$ 86 billion. The debt disbursed and outstanding as of March 2011 for IBRD is US$ 11.28 and for IDA it is US$ 27 billion.

World Bank has sanctioned 75 percent of its loans to developing countries of Africa, Asia and Latin America while only 25 percent was given to developed Nations of Europe. But still, it is believed by most nations that the developed countries do have a good command over the governing body of the World Bank because of their largest contribution.
1. **Inter-Governmental Organizations**: An IGO is an organization composed primarily of sovereign states, or of other intergovernmental organizations. IGOs are established by treaty or other agreement that acts as a charter creating the group.

2. **Congenial Investment**: Congenial means friendly, compatible, well-suited, good-humoured etc. ... more facilitative & congenial & supportive of foreign investment.

3. **Intellectual Property Rights**: Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.

4. **Dumping**: Dumping occurs when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter’s domestic market.

5. **International Monetary Fund**: The International Monetary Fund (IMF) is an organization of 190 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

6. **UNCOTAD**: The United Nations Conference on Trade and Development (UNCTAD) is a UN body responsible for dealing with development issues, particularly international trade.

7. **Most Favoured Nation**: A most-favored-nation (MFN) clause requires a country to provide any concessions, privileges, or immunities granted to one nation in a trade agreement to all other World Trade Organization member countries.

8. **Risk Management Products**: Risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk. Description.

9. **Balance of Payments**: The balance of payments (BOP) is an accounting of a country’s international transactions for a particular time period. Any transaction that causes money to flow into a country is a credit to its BOP account, and any transaction that causes money to flow out is a debit.
TEST YOUR UNDERSTANDING

1. Who is known as the father of globalisation
   A. Theodare Levitt
   B. Peter Sutherland
   C. Harward Business School
   D. None of the Above

2. WTO was Set up in the Year
   A. 1995
   B. 1955
   C. 1985
   D. 1975

3. WTO was Established in the place of
   A. IMF
   B. GATT
   C. IBRD
   D. SAARC

4. Which is not a wing of WTO
   A. Ministerial Conference
   B. Dispute Settlement Body
   C. General Council
   D. Governor

5. WTO stands for
   A. World Tariff Organization
   B. World Tax Organization
   C. World Trade Organization
   D. World Trademark Organization

6. ______ countries were members of WTO as on 1st January 1995.
   A. 151
   B. 164
   C. 104
   D. 139

7. ______ is the headquarter of the WTO.
   A. Uruguay
   B. Geneva
   C. New York
   D. Tokyo
8. Head Quarters of IBRD located in
   A. Brettron Woods
   B. New York
   C. Washington DC
   D. Russia

9. IBRD was established in the year
   A. 1941
   B. 1944
   C. 1945
   D. 1949

10. Which one is not a member in world bank group
    A. The International Bank for Reconstruction and Development (IBRD)
    B. The International Development Association (IDA)
    C. The International Finance Corporation (IFC)
    D. World Trade Organisation (WTO)

**ANSWERS**

**Interactive Links:**
https://www.wto.org/
https://en.wikipedia.org/wiki/Globalization_in_India

**For Advanced Learners:**
- Go through the websites of WTO and IBRD
- Go through the World Trade Report Published by WTO
- Go through the Ease of doing business report and world development report published by world bank.
Chapter 10

Learning Outcomes:

After reading this chapter, the student should be able to:
1. understand the concept of trade blocs
2. analyse its impact trade blocs on business environment
3. summarise the functions and criticism against SAARC, BRICS, ASEAN.
4. judge the importance, objectives of other trade blocs
5. comment the functions of trade blocs.

Chapter Layout:

10.1. Trade Blocks
   10.1.1. Types of trade blocs
   10.1.2. Advantages of trade blocs
   10.1.3. Negative implications of trade blocs

10.2. BRICS
   10.2.1. Objectives of BRICS
   10.2.2. Areas of Cooperation
   10.2.3. New Development Bank
   10.2.4. Challenges to BRICS

10.3. SAARC
   10.3.1. Objectives
   10.3.2. SAARC Achievements
   10.3.3. Challenges to SAARC

10.4. ASEAN
   10.4.1. Objectives of ASEAN
   10.4.2. India and ASEAN
   10.4.3. Challenges to ASEAN
అవసరం అభివృద్ధికి

ప్రతి సంఘం ప్రతి సంఘంతంలో నామాంపు ప్రతిపదలు లభిస్తాం. సంఘాలు ప్రతి సంఘం ప్రతిపదల విలువ లేదు. ఈ ప్రతిపదల విలువ ప్రతి సంఘం ప్రతిపద విలువతో పెంచుకోవాలి. SAARC సంఘం 8 సంఘం ప్రతి సంఘం ప్రతిపదల విలువ లేదు. ASEAN సంఘం 10 సంఘం ప్రతి సంఘం ప్రతిపదల విలువ లేదు. ఈ ప్రతిపదల విలువ ప్రతి సంఘం ప్రతిపదల విలువతో పెంచుకోవాలి. 

సంఘాలు ఈ ప్రతిపదల విలువ ప్రతి సంఘం ప్రతిపదల విలువతో పెంచుకోవాలి. GDP ప్రత్యేకించిన సంఘాలు ప్రతిపద విలువ లేదు. ఈ ప్రతిపదల విలువ ప్రతి సంఘం ప్రతిపదల విలువతో పెంచుకోవాలి. 

ఈ ప్రతిపదల విలువ ప్రతి సంఘం ప్రతిపదల విలువతో పెంచుకోవాలి. 

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Trade block are an important phenomena in globalised world in which countries form groups and make agreements with each other for economic benefits. Different trade blocs are classified based on the level of economic integration the member countries adopt. Hindustan tractor we study the different kinds of trade blocs, their advantages and disadvantages.

BRICS grouping of 5 developing economies namely Brazil Russia India China and South Africa. SAARC stands for South Asian association for regional cooperation which is a grouping of 8 nations. ASEAN stands for association of southeast Asian nations which is a grouping of 10 countries. These groupings are very significant in world economics as they amount to a big percentage of world GDP as well as population. They are particularly significant with respect to Indian business environment as India is a member of BRICS, SAARC and has big chunk of its trade with ASEAN.

In this chapter an attempt has been made to study these multilateral organisations and trade blocs in detail including their structure, functioning, achievements and challenges.
10.1. 1st Chapter

10.1. TRADE BLOCS

A trade bloc is a group of Nations that has reached a set of special agreements regarding their economic relationships with each other. The agreements generally focus on the relaxation or elimination of trade barriers, which are laws that limit the amount of business done across two countries’ borders. The most common types of trade barriers are tariffs (taxes on imports) and quotas (limits on the quantities of various imports). Trading blocs lead to trade liberalization (the freeing of trade from protectionist measures) and trade creation between members, since they are treated favourably in comparison to non-members. Trade blocks are formed because for various reasons like failure of global organisation, Geographical proximity, similarities and complementarities in trading items, to curb restrictions of trade on the developing countries, to enhance bargaining power with other countries etc.

A regional trading bloc is a group of countries within a geographical region that protect themselves from imports from non-members. Trading blocs are a form of economic integration, and increasingly shape the pattern of world trade. According to the Asian Development Bank Institute, as of now, India has 42 trade agreements (including preferential agreements) either in effect or signed or under negotiation or proposed.

10.1.1. TYPES OF TRADE BLOCS

Preferential Trade Area
Preferential Trade Areas (PTAs) exist when countries within a geographical region agree to reduce or eliminate tariff barriers on selected goods imported from other members of the area. This is often the first small step towards the creation of a trading bloc. This is the simplest form of the trade bloc. Instead of eliminating, the deals are usually looser. Under the preferential trade area, member countries agree to lower tariffs for certain products. They provide preferential access to specific products but do not eliminate tariffs altogether.

*Example:* South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) (1981)

Free Trade Area
Free Trade Areas (FTAs) are created when two or more countries in a region agree to reduce or eliminate barriers to trade on all goods coming from other members. The free trade area involves removing restrictions on trading between members. Thus, goods and services flow freely between them. Regarding non-member trading, each has separate and different policies. Some members may charge higher rates, while others are lower. The difference in tariffs provides opportunities and benefits for non-member countries. They will export to member countries that set low tariffs. After entering the destination country, they can ship it to other member countries at no cost. This phenomenon is what we call trade deflection.

*Example:* North American Free Trade Area (NAFTA) between the USA, Canada and Mexico; Asia Pacific Economic Cooperation (APEC) and the Common Market of Eastern and Southern Africa (COMESA) and SAARC.
విధానం మాట కొని అభిమానం వాడటం లేదా అమలం చేయడం ఉండటం మేలు కావడం వాటిని మనం సంచారించడం కావడాని అవసరం యేసి, అక్కడ అభిమానం చేసే విధానం ఫట్టు కావచ్చుండి.
Customs Union
A customs union involves the removal of tariff barriers between members, plus the acceptance of a common (unified) external tariff against non-members. A customs union is a more advanced stage than a free trade area. Its main objective is to overcome the trade deflection problem inherent in the free trade area agreement. Customs union members agree to joint tariffs when they trade with non-members. Hence, there is no opportunity for non-member countries to take benefits from the tariff differences.
EXAMPLE: Central American Common Market (CACM)

Economic Union
An Economic Union is a type of trade bloc which is composed of a common market with a customs union. The participant countries have both common policies on product regulation, freedom of movement of goods, services and the factors of production (capital and labour) and a common external trade policy. When an Economic Union involves unifying currency it becomes an economic and monetary union.

Economic Unions combine all aspects of the common market and also coordinate economic policy. Member countries then form joint economic institutions for this purpose. Then, if the member countries agree to adopt a single currency, we will call it the monetary union. The Eurozone is an example, where it consists of EU members adopting the Euro as their currency. An example is the formation of the economic union of the European Union.

Common market
Common market is a combination of customs unions plus the removal of barriers to the flow of factors of production. So, under this agreement, member states agree to:

- Eliminating trade barriers in goods and services
- Removing barriers to the capital and labour flows (factors of production)
- Member countries have uniform policies regarding trade with non-member countries

Trade barriers can be tariffs and non-tariff. Protective policies, such as subsidies, are also removed. In succeeding, member countries will usually harmonize some micro-policies such as regulations on monopoly and anti-competitive practices.
EXAMPLE: The Organization of the Petroleum Exporting Countries (OPEC)

The most significant trading blocs currently are:
EU- European Union – a customs union, a single market and now with a single currency
EFTA- European Free Trade Area
NAFTA- North American Free Trade Agreement between the USA, Canada and Mexico
MERCOSUR A customs union between Brazil, Argentina, Uruguay, Paraguay and Venezuela
ASEAN - Association of Southeast Asian Nations Free Trade Area (AFTA)
COMESA- Common Market of Eastern and Southern Africa
SAFTA- South Asian Free Trade Area
10.1.2. పూర్తి పంచు ప్రామాణిక ప్రత్యేకించాలను


10.1.2. ADVANTAGES FOR MEMBERS OF TRADING BLOCS

Market access and trade creation
Easier access to each other’s markets means that trade between members is likely to increase. Trade creation exists when free trade enables high cost domestic producers to be replaced by lower cost, and more efficient imports. Because low cost imports lead to lower priced imports, there is a ‘consumption effect’, with increased demand resulting from lower prices.

Free trade within the bloc
Knowing that they have free access to each other’s markets. Members are encouraged to specialise. This means that, at the regional level, there is a wider application of the principle of comparative advantage.

Economies of scale
Producers are required to increase their production quantities to cater the demand of larger market. Thus, they can benefit from the application of scale economies, which will lead to lower costs and lower prices for consumers.

Jobs
Jobs may be created as a consequence of increased trade between member economies. Increase in production and distribution of goods and services leads to an increase in employment.

Protection
Firms inside the bloc are protected from cheaper imports from outside, such as the protection of the EU shoe industry from cheap imports from China and Vietnam. But, sometimes this protectionism can be seen as a detriment to globalisation.

Economic growth
Due to reduction of trade barriers, firms in the region would be in the position to produce goods at a lower price which in turn improves demand for goods. Eventually, this will lead to increased economic growth rate.

Technological development
As a firm grows they would go for higher technological developments. With formation of trade blocks transfer of technology, knowledge and technically skilled workforce between countries becomes easy leading to faster technological development.

Better utilization of resources
The economic integration would help to make better utilization of resources owing to growth of the Nations there would be optimum uses of physical resources, human resources and financial resources.
10.1.3. என்பித்து செய்யும் விளக்கம்

முதலில் என் பாத்திரம் செல்வதும் தவறாக இருந்தது. அது எனது பாத்திரமை வெளிப்படுத்துவதற்கு தகுந்தது. இதன் தங்கள் விளக்கம் செய்யும் விளக்கம் செய்யவேண்டும். அவ்விடையே என் பாத்திரம் செல்வதும் தவறாக இருந்தது. இதன் தங்கள் விளக்கம் செய்யும் விளக்கம் செய்யவேண்டும்.
Consumer welfare
Owing to economic growth the employment opportunity increased, which in turn increased purchasing power and the people enjoyed higher standard of living. Also due to trading blocs the consumer may have to pay lower prices and at the same time enjoy higher quality goods.

Boost direct investments.
Under common market and union economies, capital is free to flow, encouraging companies to increase investment and create jobs in some member countries.

Decrease monopoly power as competition increases.
Goods and services flow freely and create greater choices for consumers. It increases competition in the market and forces firms to increase innovation and efficiency to face competitiveness.

10.1.3. NEGATIVE IMPLICATIONS OF TRADE BLOCS
The trade blocs can negatively affect non-member Nations. This is due to the following reasons:

Common external barrier
Although trade blocs promote economies of member countries, from the perspective of non-member states, they can be viewed as protectionist in functioning. Sometimes, a trading block can obtain monopoly over a product and their bargaining power can go very high. High tariffs and movement restrictions can be imposed on goods from non-member countries.

Reduction of Values of domestic products
A poorly negotiated trade deal can be very harmful to a country’s economy. Without proper technology and skilled workforce, a country cannot compete in production with other member countries of a trade bloc. This can lead to countries losing the competition to other members in terms of quality of goods and prices. Eventually, the demand for domestic goods will be reduced resulting in poor National produce.

Reduction of tax revenues
With lowering or eliminating tariff barriers, the tax revenue of the country will shrink, leading to budgetary deficits. Countries will have to confirm with the tariffs and customs laws of other dominant players in the block, which may not be very beneficial for all.

Loss of sovereignty and independence
Too much integration and interdependence can lead to loss of sovereignty of Nations. Trade blockades, political changes, policy shifts of dominant players in the block can impact other nations adversely. Strategic and critical resources can be even used as bargaining chip by dominant countries of a block to control the decisions of other Nations.

Market capture and Dumping
Sometimes aggressive Nations in a trade bloc can indulge in activities like dumping of products at a
10.2. BRICS

BRICS is an acronym formed by the names of the five countries that are members of the group: Brazil, Russia, India, China, and South Africa. The group was announced in 2001 by the leaders of these countries. The BRICS countries are known for their large economies and growing influence in international affairs. The group is sometimes referred to as the "BRIC" or "BRIICS" as a way to include South Africa.

2009 saw a shift in the membership of the group as South Africa was added to the group. The BRICS countries meet annually to discuss economic and political issues.

2010 saw a significant event for the BRICS group as South Africa was added to the group. The BRICS group is often seen as a counterweight to the Western-dominated international institutions. The group has been seen as a way to promote the interests of the BRICS countries in global affairs.

BRICS has faced challenges since its formation, including disagreements among members on key issues. However, the group continues to be seen as a significant player in international affairs.

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lower price than their production cost in order to capture the business in other countries and drive their production capacity to zero. Once, they have the market for themselves they can go back for normal pricing or even higher.

10.2. BRICS

BRICS is the acronym coined to associate five major emerging economies: Brazil, Russia, India, China, and South Africa. The BRICS members are known for their significant influence on regional affairs.

Since 2009, the governments of the BRICS states have met annually at formal summits. Originally, the first four were grouped as “BRIC” before the induction of South Africa. In 2010, South Africa began efforts to join the BRIC grouping, and the process for its formal admission began in August of that year. South Africa officially became a member Nation on 24 December 2010. The group was renamed BRICS—with the “S” standing for South Africa—to reflect the group’s expanded membership.

The term “BRIC” is believed to be coined in 2001 by then-chairman of Goldman Sachs Asset Management, Jim O’Neill, in his publication Building Better Global Economic BRICs. But, it was actually coined by Roopa Purushothaman who was a Research Assistant in the original report. The foreign Ministers of the initial four BRIC General states (Brazil, Russia, India, and China) met in New York City in September 2006 at the margins of the General Debate of the UN Assembly, beginning a series of high-level meetings. A full-scale diplomatic meeting was held in Yekaterinburg, Russia, on 16 June 2009.

First BRIC summit

The BRIC grouping’s 1st formal summit, also held in Yekaterinburg, commenced on 16 June 2009, with Luiz Inácio Lula da Silva, Dmitry Medvedev, Manmohan Singh, and Hu Jintao, the respective leaders of Brazil, Russia, India, and China, all attending. The summit’s focus was on improving the global economic situation and reforming financial institutions, and discussed how the four countries could better co-operate in the future. There was further discussion of ways that developing countries, such as 3/4th of the BRIC members, could become more involved in global affairs.

10.2.1. BRICS – Objectives

- One of the major objectives of the grouping is broadening, deepening, and intensifying cooperation among the member countries for mutually beneficial, sustainable and equitable development.

- Every member’s growth and development are considered to ensure that relations are built on the economic strengths of individual countries and eliminate competition wherever possible.

- Such diverse objectives allow BRICS to emerge as an innovative and encouraging Political-Diplomatic entity that was earlier formed just to resolve the global financial issues and reform institutions.
10.2.1. వివిధ - అతితీలితులు

ప్రత్యేకించినందకానులలో ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి. BRICS జంతువులు 3/4 మంది లేదు ఇతర సంస్థలకు ఇంటిలో చేసే వినతి ఉండగా కానుకునే మాత్రమే జాతీయ పాలన కంప్యూటర్ నిపుణుల సాధనాలు అవగాహనం చేసినాయి.

10.2.2. పంచాయత్తు మండలాలు

పంచాయత్తు మండలాల కోసం ప్రాతిష్ఠించబడిన సమాధానాలు. ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.

ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.

సమాధానాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.

ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.

10.2.3. పరిస్థితి పండితులు

ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.

ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.

10.2.4. ప్రత్యేక సమయంలో నిర్ణయించబడిన అవసరాలు

ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.

ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.

ప్రత్యేక సమయంలో ప్రస్తుతి చేయబడిన నిర్ణయాలు వినతి నిరాకరించబడినాప్పటి విషయాలకు పైన స్థాయి విధానాలు నిర్ణయించబడినాయి.
10.2.2. Areas of Cooperation

Economic Cooperation
- There are rapidly growing trade and investment flows between BRICS countries as well as economic cooperation activities across a range of sectors.
- Agreements have been concluded in the areas of Economic and Trade Cooperation; Innovation Cooperation, Customs Cooperation; strategic cooperation between the BRICS Business Council, Contingent Reserve Agreement and the New Development Bank.
- These agreements contribute to realisation of the shared objectives of deepening economic cooperation and fostering integrated trade and investment markets.

People-to-People exchange
- BRICS members have recognised the need for strengthening People-to-People exchanges and to foster closer cooperation in the areas of culture, sport, education, film and youth.
- People-to-People exchanges seek to forge new friendships; deepen relations and mutual understanding between BRICS peoples in the spirit of openness, inclusiveness, diversity and mutual learning.
- Such People to people exchanges include the Young Diplomats Forum, Parliamentarian Forum, Trade Union Forum, Civil BRICS as well as the Media Forum.

Political and Security Cooperation
- BRICS member political and security cooperation is aimed at achieving peace, security, development and cooperation for a more equitable and fair world.
- BRICS provides opportunities for sharing policy advice and exchanges of best practices in terms of domestic and regional challenges as well as advancing the restructuring of the global political architecture so that it is more balanced, resting on the pillar of multilateralism.
- BRICS is utilised as a driver for South Africa’s foreign policy priorities including the pursuit of the African Agenda and South-South Cooperation.

Cooperation Mechanism
Cooperation among members is achieved through:
- **Track I**: Formal diplomatic engagement between the National governments.
- **Track II**: Engagement through government-affiliated institutions, e.g. state-owned enterprises and business councils.
- **Track III**: Civil society and People-to-People engagement.
10.2.3. లింగానేకంతంతో కనుములు

హిందు దాశ్వాస్సు అనే శిక్షణ పదశ్రాయ సాధనాలు పూర్తి అవి అవి.

హిందు జిత్తు (2012) లో పిల్లల కంప్యూటర్ల ఉపయోగంతో నిర్మాణం చేయబడిన డిజిటల్ పుస్తకాలను అవి అవి. ఇందులో పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, అలాగే పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, అలాగే పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, అలాగే పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, అలాగే పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, అలాగే పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, అలాగే పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, అలాగే పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన ప్రమాణం, అలాగే పిల్లలకు నిర్దిష్టంగా పిల్లలకు హోస్ట్ సూచించిన 292
10.2.3. New Development Bank

- NDB is headquartered in **Shanghai**.

- At the Fourth BRICS Summit in New Delhi (2012) the possibility of setting up a new Development Bank was considered to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies, as well as in developing countries.

- During the Sixth BRICS Summit in Fortaleza (2014) the leaders signed the Agreement establishing the New Development Bank (NDB).

- **Fortaleza Declaration** stressed that the NDB will strengthen cooperation among BRICS and will supplement the efforts of multilateral and regional financial institutions for global development thus contributing to sustainable and balanced growth.

- NDB’s key areas of operation are clean energy, transport infrastructure, irrigation, sustainable urban development and economic cooperation among the member countries.

- The NDB functions on a consultative mechanism among the BRICS members with all the member countries possessing equal rights.

10.2.4. Challenges of BRICS

- The marked dominance of big three Russia-China-India is challenge for the BRICS as it moves ahead. To become a true representative of large emerging markets across the world, BRICS must become pan-continental. Its membership must include more countries from other regions and continents.

- The BRICS will need to expand its agenda for increasing its relevance in the global order. As of now, climate change and development finance, aimed at building infrastructure dominate agenda.

- As BRICS moves forward foundational principles of BRICS i.e. respect for sovereign equality and pluralism in global governance are liable to be tested as the five member countries pursue their own national agendas.

- The military standoff between India and China on the Doklam plateau, which has effectively brought to an end the naive notion that a comfortable political relationship is always possible amongst the BRICS members.

- China’s efforts to co-opt nation states, which are integral to its Belt and Road Initiative, into a broader political arrangement has potential to cause conflict among BRICS members especially China and India.
10.3. పిఠాపాల కొరకు సాంప్రదాయం నిర్ణయం (తెలుగు)

పిఠాపాల కొరకు సాంప్రదాయం నిర్ణయం (తెలుగు) అనేది హిందీ పిఠాపాల సాంప్రదాయానికి చెందినది. పిఠాపాల సాంప్రదాయం నిర్ణయం ఎంతో తీవ్రం, తీవ్రం, ఉపయోగాత్మకం, నిర్ణయం నిర్భర చేస్తుంది. పిఠాపాల సాంప్రదాయం నిర్ణయం అనేది పిఠాపాల సాంప్రదాయం విశేషాలు యొక్క విశేషాలు ఉపయోగంలో ఉండటం వల్ల నిర్ణయం నిర్భర చేస్తుంది. సాంప్రదాయం యొక్క ప్రారంభం కోసం భారతదేశం తమ్మెమ పిఠాపాలానికి యొక్క విశేషాలు యొక్క విశేషాలు ఉపయోగంలో ఉండటం వల్ల నిర్ణయం నిర్భర చేస్తుంది. పిఠాపాల సాంప్రదాయం నిర్ణయం అనేది పిఠాపాల సాంప్రదాయం విశేషాలు యొక్క విశేషాలు ఉపయోగంలో ఉండటం వల్ల నిర్ణయం నిర్భర చేస్తుంది.
10.3. SAARC

The South Asian Association for Regional Cooperation (SAARC) is the regional intergovernmental organization and geopolitical union of countries in South Asia. Its member states are Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka. The SAARC was founded in Dhaka on 8 December 1985. Its secretariat is based in Kathmandu, Nepal. The organization promotes development of economic and regional integration. It launched the South Asian Free Trade Area in 2006. The SAARC maintains permanent diplomatic relations at the United Nations as an observer and has developed links with multilateral entities, including the European Union.

The important organs of the SAARC is Secretariat. The SAARC Secretariat was established in Kathmandu on 16 January 1987. Its role is to coordinate and monitor the implementation of SAARC activities, service the meetings of the association and serve as a channel of communication between SAARC and other international organizations. The Secretariat comprises the secretary-general, seven directors, and the general services staff. The secretary-general is appointed by the Council of Ministers on the principle of rotation, for a non-renewable tenure of three years.

Structure and Process
Cooperation in SAARC is based on respect for the five principles of sovereign equality, territorial integrity, political independence, non-interference in internal affairs of the Member States and mutual benefit. Regional cooperation is seen as a complement to the bilateral and multilateral relations of SAARC Member States. SAARC Summits are held annually and the country hosting the Summit holds the Chair of the Association. Decisions are made on an unanimity basis while bilateral and contentious issues are excluded from the deliberations of SAARC.

10.3.1. Objectives
SAARC aims to promote economic growth, social progress and cultural development within the South Asia region. The objectives of SAARC, as defined in its charter, are as follows:

- Promote the welfare of the peoples of South Asia and improve their quality of life
- Accelerate economic growth, social progress and cultural development in the region by providing all individuals the opportunity to live in dignity and realise their full potential
- Promote and strengthen collective self-reliance among the countries of South Asia
- Contribute to mutual trust, understanding and appreciation of one another’s problems
- Promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields
- Strengthen co-operation with other developing countries
10.3.1. సార్స్

సాంస్కృతిక ప్రారంభాలు, పరికరాలు పండిత్రులు, గ్రామీణ పరిస్థితులు ఉన్నతమను వేసిన సార్స్ పరిణామాలు యొక్క ప్రభావాన్ని ఉదాహరించే ఉంటుంది. SAARC నుండి విబృది, జనాభా పరిస్థితిపు సమయంలో సార్స్ పరిణామాన్ని:

- నివస అధ్యాపకాల సంఖ్య ఉన్నతమను చేసే పాఠశాలలు మూలం చేయాలని సార్స్ పరిణామ మీద ప్రధానంగా ఉంది.
- అధ్యాపకాల ప్రాంతాలలో, సార్స్ పరిణామ ప్రాంతాలలో నివస అధ్యాపకాలు నివస అధ్యాపకాలు పరిణామాన్ని ఆధారంగా ఉంది.
- శాస్త్రాలలో, పాఠశాలలో వేసే పాఠశాలలు సార్స్ పరిణామాన్ని బిగిన ప్రాంతాలు ఉంటాయి.
- అధ్యాపకాల పరిణామాన్ని చేసే పాఠశాలలు నివస అధ్యాపకాలు పరిణామాన్ని యొక్క ప్రభావాన్ని ఉదాహరించాయి.
- నివస అధ్యాపకాల పరిణామం యొక్క ప్రభావాన్ని ఉదాహరించాయి. 10.3.2. విదేశాల ప్రారంభాలు

మొదటిభాగంలో నిర్ధారించాలని: మొదటి సార్స్ పరిణామాన్ని ఉత్తమాన్ని నిర్వహించి వెలిపట్టం చేసే సార్స్ పరిణామం.

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• Strengthen co-operation among themselves in international forms on matters of common interest; and
• Cooperate with international and regional organisation with similar aims and purposes.

Areas of Cooperation
The Member States agreed on the following areas of cooperation:

• Agriculture and rural development
• Education and culture
• Biotechnology
• Economic, trade and finance
• Energy
• Environment
• Tourism
• Science and Technology
• Information, Communication and Media
• Poverty alleviation
• Security aspects
• People-to-People Contacts
• Funding mechanism
• Social development.

10.3.2. SAARC and India

• Neighbourhood first: Primacy to the country’s immediate neighbours.

• Geostrategic significance: Can counter China (OBOR initiative) through engaging Nepal, Bhutan, the Maldives and Sri Lanka in development process and economic cooperation.

• Regional stability: SAARC can help in creation of mutual trust and peace within the region.

• Global leadership role: It offers India a platform to showcase its leadership in the region by taking up extra responsibilities.

• Game changer for India’s Act East Policy: By linking South Asian economies with South East Asian will bring further economic integration and prosperity to India mainly in the Services Sector.

10.3.3. Challenges to SAARC

• Low frequency of meetings: More engagement is required by the member states and instead of biennial meetings, meetings should be held annually.

• Broad area of cooperation leads to diversion of energy and resources.
10.3.3. SAARC

- SAARC is an organization consisting of South Asian countries. It was formed to promote economic and social development among the member countries.

- OBOR (One Belt One Road) is a Chinese initiative to promote economic cooperation and development through infrastructure development in Asia and beyond.

10.4. ASEAN

- ASEAN is an organization consisting of 10 Southeast Asian countries. It was formed in 1967 to promote economic cooperation and development among the member countries.

- SAFTA (South Asia Free Trade Area) is a regional trade agreement among SAARC countries to promote free trade and economic cooperation.

10.4.1. ASEAN

- ASEAN is a regional organization consisting of Southeast Asian countries. It was formed in 1967 to promote economic cooperation and development among the member countries.

- ASEAN Plus Three (APT) is an extension of ASEAN, which includes China, Japan, and South Korea as dialogue partners.

- ASEAN Plus Six (APS) is an extension of ASEAN, which includes China, Japan, South Korea, Australia, and New Zealand as dialogue partners.
• **Limitation in SAFTA:** The implementation of SAFTA has not been satisfactory a Free Trade Agreement confined to goods, excluding all services like information technology.

• **Indo-Pak Relations:** Escalated tension and conflict between India and Pakistan have severely hampered the prospects of SAARC.

**10.4. ASEAN**

ASEAN—officially the Association of Southeast Asian Nations, is an economic union comprising 10 member states in Southeast Asia, which promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration between its members and other countries in Asia. ASEAN established by the governments of Indonesia, Malaysia, the Philippines, Singapore, and Thailand in 1967 to accelerate economic growth, social progress, and cultural development and to promote peace and security in Southeast Asia. Brunei joined in 1984, followed by Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999.

**10.4.1. Objectives of ASEAN**

ASEAN’s primary objective is to accelerate economic growth and through that social progress and cultural development. The other objectives are:

- To promote regional peace and stability through abiding respect for justice and the rule of law and adherence to the principles of the United Nations Charter.

- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields.

- To collaborate more effectively for the greater utilisation of agriculture and industries, the expansion of their trade, the improvement of transportation and communications facilities and the raising of the living standards of peoples.

- To promote Southeast Asian studies.

- To maintain close and beneficial cooperation with existing international and regional organisations.

**Fundamental Principles of ASEAN**

- Mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations;

- The right of every State to lead its national existence free from external interference, subversion or coercion;

- Non-interference in the internal affairs of one another;
10.4.2. అధికారిక అధ్యాయం ఆస్తి]

ఉద్యోగీ అవసరములు జోహన్ జోహన్ అధ్యాయం స్వతంత్ర ప్రాథమిక ప్రత్యేకించిన ప్రారంభం

- అధ్యాయం 3 స్వతంత్ర ప్రారంభం
- అదదానం అధ్యాయం స్వతంత్ర ప్రారంభం
- అధ్యాయం 4 స్వతంత్ర ప్రారంభం
- అధ్యాయం 5 స్వతంత్ర ప్రారంభం
- అధ్యాయం 6 స్వతంత్ర ప్రారంభం
- అధ్యాయం 7 స్వతంత్ర ప్రారంభం
- అధ్యాయం 8 స్వతంత్ర ప్రారంభం
- అధ్యాయం 9 స్వతంత్ర ప్రారంభం
- అధ్యాయం 10 స్వతంత్ర ప్రారంభం

10.4.2. అధికారిక అధ్యాయం ఆస్తి]

- ఉద్యోగీ అవసరములు జోహన్ జోహన్ అధ్యాయం స్వతంత్ర ప్రారంభం
- అధ్యాయం 3 స్వతంత్ర ప్రారంభం
- అదదానం అధ్యాయం స్వతంత్ర ప్రారంభం
- అధ్యాయం 4 స్వతంత్ర ప్రారంభం
- అధ్యాయం 5 స్వతంత్ర ప్రారంభం
- అధ్యాయం 6 స్వతంత్ర ప్రారంభం
- అధ్యాయం 7 స్వతంత్ర ప్రారంభం
- అధ్యాయం 8 స్వతంత్ర ప్రారంభం
- అధ్యాయం 9 స్వతంత్ర ప్రారంభం
- అధ్యాయం 10 స్వతంత్ర ప్రారంభం
• Settlement of differences or disputes by peaceful manner;

• Renunciation of the threat or use of force; and

• Effective cooperation among themselves.

10.4.2. India and ASEAN

- India’s relationship with ASEAN is a key pillar of her foreign policy and the foundation of Act East Policy.
- India has a separate Mission to ASEAN and the EAS in Jakarta.
- India and ASEAN already has 25 years of Dialogue Partnership, 15 years of Summit Level interaction and 5 years of Strategic Partnership with ASEAN.

- **Economic Cooperation:**
  - ASEAN is India’s fourth largest trading partner.
  - India’s trade with ASEAN stands at approx. 10.6 percent, of India’s overall trade.
  - India’s export to ASEAN stands at 11.28 percent, of our total exports. The ASEAN-India Free Trade Area has been completed.
  - ASEAN India-Business Council (AIBC) was set up in 2003 to bring key private sector players from India and the ASEAN countries on a single platform.
  - **Socio-Cultural Cooperation:** Programmes to boost People-to-People Interaction with ASEAN, such as inviting ASEAN students to India, Special Training Course for ASEAN diplomats, Exchange of Parliamentarians, etc.

- **Funds:** Financial assistance has been provided to ASEAN countries from the following Funds:
  - ASEAN-India Cooperation Fund
  - ASEAN-India S&T Development Fund
  - ASEAN-India Green Fund

- **Delhi Declaration:** To identify Cooperation in the Maritime Domain as the key area of cooperation under the ASEAN-India strategic partnership.

- **Delhi Dialogue:** Annual Track 1.5 event for discussing politico-security and economic issues between ASEAN and India.

- **ASEAN-India Centre (AIC):** To undertake policy research, advocacy and networking activities with organizations and think-tanks in India and ASEAN.

- **Political Security Cooperation:** India places ASEAN at the centre of its Indo-Pacific vision of Security and Growth for All in the Region.
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10.4.3. Challenges to ASEAN

- Regional imbalances in the economic and social status of its individual markets.
- **Gap between rich and poor ASEAN member states remains very large and they have a mixed record on income inequality.**

  - While Singapore boasts the highest GDP per capita—nearly $53,000 (2016), Cambodia’s per capita GDP is the lowest at less than $1,300.

  - Many regional initiatives were not able to be incorporated into National plans, as the less developed countries faced resource constraints to implement the regional commitments.

  - The members’ political systems are equally mixed with democracies, communist, and authoritarian states.

  - The South China Sea is the main issue exposing the organization’s rifts.

  - ASEAN has been divided over major issues of human rights. For example, crackdowns in Myanmar against the Rohingyas.

  - Inability to negotiate a unified approach with regards to China, particularly in response to its widespread maritime claims in the South China Sea.

  - The emphasis on consensus sometimes becomes the chief drawback – difficult problems have been avoided rather than confronted.

  - There is no central mechanism to enforce compliance.

  - Inefficient dispute-settlement mechanism, whether it be in the economic or political spheres.

**KEY TERMS**

1. **Trade Creation:** Trade creation is an economic term related to international economics in which trade flows are redirected due to the formation of a free trade area or a customs union.

2. **Preferential Trade Area:** A preferential trade area is a trading bloc that gives preferential access to certain products from the participating countries.

3. **Free Trade Area:** A free trade area is a region in which a group of countries has signed a free trade agreement and maintain little or no barriers to trade in the form of tariffs or quotas between each other.
4. **Customs Union**: A customs union is an agreement between two or more countries to remove trade barriers and lower or eliminate tariffs. Members of a customs union generally apply a common external tariff on imports from non-member countries.

5. **Economic Union**: An economic union is an agreement between two or more nations to allow goods, services, money and workers to move over borders freely. The European Union (EU) is an example of an economic union.

6. **Common Market**: A group of countries imposing few or no duties on trade with one another and a common tariff on trade with other countries.

7. **Trade Deflection**: The movement of goods or components of goods from outside a trading arrangement to a country within such an arrangement in order for the seller to benefit from trading preferences.

**TEST YOUR UNDERSTANDING**

1. Which of the following is a form of Trade Blocs
   A. SAARC
   B. E.U
   C. Customs Union
   D. All of the above

2. Which is the not a member country in BRICS
   A. India
   B. China
   C. Japan
   D. Brezil

3. The First BRICS Summit was held at
   A. Brezil
   B. Yekaterinburg
   C. Delhi
   D. Bezing

4. India Hosted the BRICS Summit in the year
   A. 2012
   B. 2011
   C. 2013
   D. 2010
5. Which of the following is not the member country in SAARC
   A. Nepal  
   B. Bhutan  
   C. Taiwan  
   D. India

6. What is the Full Forum of ASEAN
   A. Association for South East Asian Nations  
   B. Administration on South East Asian Nations  
   C. Organisation of South East Asian Nations  
   D. Administration of Southern East Asian Nations

7. Where is the First ASEAN Summit was held
   A. Bali  
   B. Jakarta  
   C. Manila  
   D. Singapore

8. What is the Head Quarter of ASEAN.
   A. Bali  
   B. Jakarta  
   C. Manila  
   D. Singapore

9. Currently how many members are in the SAARC organisation?
   A. 6  
   B. 7  
   C. 8  
   D. 10

10. What was the theme of the SAARC year 2016-17?
    A. Year for Girls  
    B. Year for Environment  
    C. Year of Good Governance  
    D. Year of Cultural Heritage

ANSWERS

INTERACTIVE LINKS:
https://en.wikipedia.org/wiki/Brick
https://en.wikipedia.org/wiki/ASEAN