AMC Group of Educational Institutions, Manissery

Department of Commerce

e- resources for students

M.Com First Semester

(Question Bank with Answers)

Business Environment and Policy

Contents

Page No.

Short Questions.. 3

Short Essay Questions.. 6

Essay Questions.. 15

Short Questions

1. What are the types of economic systems?

- Free market economic system or capitalist Economic system.
- Centrally planned economies or socialist Economy.
- Mixed Economy

2.What is NITI Ayog?

The NITI Ayog (National Institution for Transforming India) is a public policy 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.

3.Write a note on planning commission.

Planning Commission, agency of the government of India established in 1950 to oversee the country's economic and social development, chiefly through the formulation of five-year plans. The commission's original mandate was to raise the standard of living of ordinary Indians by efficiently exploiting the country's material and human resources, boosting production, and creating employment opportunities for all. It is today responsible for periodically assessing the country's resources; developing five-year plans, along with strategies for implementing them; and monitoring the execution of the plans and recommending adjustments of policy as outcomes warrant.

4. Define public enterprises.

Any commercial or industrial undertaking which the government owns and manages with a view to maximize social welfare and uphold the public interest. They can supply essential goods/services at reasonable prices and also create employment opportunities.

5.What is disinvestment?

Disinvestment is when governments or organizations sell or liquidate assets or subsidiaries. Disinvestments can take the form of divestment or a reduction of capital expenditures. Disinvestment is carried out for a variety of reasons, such as strategic, political, or environmental.

6.What is privatization?

The transfer of a business, industry, or service from public to private ownership and control, privatisation is the transfer of government assets or functions to the private sector.

7. What is PPP?

A public–private partnership is a cooperative arrangement between two or more public and private sectors, typically of a long-term nature. In other words, it involves government and business that work together to complete a project and/or to provide services to the population. The PPP model is well-established for the construction of economic and social infrastructure

8.What is meant by fiscal policy?

Fiscal policy refers to the use of government spending and tax policies to influence economic conditions, especially macroeconomic conditions, including aggregate demand for goods and services, employment, inflation, and economic growth.

9.What is public expenditure?

Public expenditure refers to government expenditure. It is incurred by central, state and local governments of the country. Public expenditure can be defined as the expenditure incurred by public authorities like central, state and local governments to satisfy the collective social wants of the people is known as public expenditure.

10.What is monetary policy?

Monetary policy is a central bank's actions and communications that manage the money supply. The money supply includes forms of credit, cash, checks, and money market mutual funds. The most important of these forms of money is credit. Credit includes loans, bonds, and mortgages. Monetary policy helps to promote national economic goals.

11. What is meant Liberalization?

Liberalization means to reduce unnecessary restrictions and controls imposed on business units. It means procedural simplification, relaxing trade and industry from unnecessary bureaucratic barriers. The essence of this policy is that greater freedom is to be given to the entrepreneur of any industry, trade or business and that governmental control on the same to be reduced to the minimum.

12. What is meant by Privatization?

Privatization means allowing the private sector to set up more and more of such industries as were previously reserved for public sector. Privatization is also one of the aspects of the new economic policy which came to take shape in the decade 1990. It refers to any process that reduces the involvement of the state, and public sector in economic activities of a nation.

13.What is SEZ?

The Special Economic Zones (SEZ) policy was announced in April 2000 with a view to overcome the deficiency experienced on account of the multiplicity of controls and clearances, absence of world class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India. SEZ is a geographically separated region that has economic laws that are more liberal than the country's typical economic laws and where all the units therein have specific privileges.

14.What is Demonetization?

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. On Nov 8, 2016 the P.M Narendra Modi announced the Demonetization of the currency notes of Rs. 500 and Rs. 1000. The main aim of demonetization was to root out counterfeit currency, fight tax evasion, curb inflation, eliminate black money.

15. What do you mean by MRTP Act?

The Monopolies and Restrictive Trade Practices Act became effective in June 1970. The MRTP Act will be restructured by eliminating the legal requirement for prior governmental approval for expansion of present undertakings and establishment of new undertakings.

16. What is Globalization?

Globalization means integrating the economy with the world economy that is removal of all trade barriers. It refers to the process of integration of the world into one huge market. It means the global reach of capital to all the world's resources and markets.

17. What are the benefits of globalization?

- It has compelled developing countries to improve overall efficiency of economy.
- Globalization likely to improve employment opportunities.
- It will result in not only free flow of goods, capital, and labour but also of latest technology and information.
- It reduces the cost of transport and communication.

18. What are the factors facilitating globalization in India?

- Human resources
- Wide base
- Growing entrepreneurship
- Growing domestic market
- Niche markets
- Expanding markets
- Transnationalisation of world economy
- NRIs
- Economic liberalization
- Competition

19.What is Social Injustice?

Social injustice is also the way unjust actions are done in the society. Social injustice occurs in a situation where the equals are treated unequally and the unequal is treated equally. Discrimination is a root of social injustice because by it's very nature it is unjust. Three common examples of social injustice includes : discrimination, ageism and homophobia.

20. What is Internationalization?

Internationalization means describing a product in a way that it may be readily consumed across multiple countries. This process is used by companies looking to expand their global footprint beyond their own domestic market understanding consumers abroad may have different tastes or habits. If business is done with one or more foreign countries, it constitutes internationalization.

Short Essay Questions

1. What is business environment? What are the features of business environment?

Business environment is the aggregate of all conditions, events and influences that surround and affect it. Business environment is a combination of the words business and environment. Business includes all activities connected with production, trade, banking, insurance, finance and numerous other related activities. Environment refers to all external forces which have a bearing on the functioning of business.

Features of business environment are :

- Environment consists of the totality of all such forces as are external to and beyond the control of individual business enterprise and their management.
- The environment forces differ from country to country.
- The cultural and educational environment influences and is influenced by the economic environment.
- Business environment is dynamic. It is ever changing.
- Business environment is complex.
- Business environment is the sum total of all factors external to the business firm and that greatly influence their functioning.
- The political and economic environment is interrelated. If there is political stability more people will come forward to start business .

2. What are the micro external business environment factors?

External environment factors include factors which are outside the firm. There is a close relationship between a business firm and its surrounding environment. The external business environment is classified into two :

a)Micro environment

b) Macro environment

Micro Environment: It consists of the factors of the company immediate environment that affect the performance of the company. It includes:

Suppliers- These are the organizations and individuals who supply the inputs like raw materials and components to the business enterprise. Sources of supply are important force in micro environment of a company because it is necessary for the smooth functioning of an organization. It is very risky to depend on a single supplier because stick, lockout may seriously affect the company.

Customers-The enterprise has to create and sustain customers. Customers sensitivity is to be monitored continuously. That means the company must study its customers market closely.

Competitors- Every company should consider their competitors while deciding their business strategy.
Marketing intermediaries- These are the firms which act as intermediary between company and customers. There are number of market intermediary. They are the connecting link between company and the final consumers. It includes agents, merchants etc..
Public-Any group that has an actual or potential interest in or impact of an organization ability to achieve its objectives. It includes finance public, Media public, Citizen action public, Local public and Internal public.

3. Explain the Need to study Business environment.

A businessman should study about business environment. It is a necessity for the success of the business.
Information about environment is necessary for the successful conduct of business.
By studying business environment a firm is able to develop its broad strategies and long term policies.
It enables a firm to analyze its competitor's strategy and form an alternative strategy to face it.
Knowledge about the changing environment will keep the organization dynamic in its approach.
Environment opens up fresh avenues for the expansion of new business operations.
Study of external environment helps business executives to adjust to the prevailing conditions.
It helps to keep oneself dynamic.
A business organization can develop action plan to deal with technological advancements.
It enables a business organization to foresee the impact of socio economic changes at the normal and international level.

4. What are trade unions? Explain its characteristics

Trade unions are voluntary organizations of workers formed to promote and protect their interest by collective action.
Characteristics are:

- The trade unions have a statement specifying that organization is a trade union.
- Trade unions have a statement of its principle objectives.
- Trade unions have registration with registrar of Trade union.
- It is independent from employer.
- It can be affiliated with central trade union organization.
- It is a voluntary association of workers.

- There is certain common interest of the member workers.They have to safeguard the economic and other interest of the members which leads to their welfare.
- It is a permanent and continuous association.
- It is an association engaged in securing economic benefits.

5. Explain the features of Quality Circles?

Quality circle is a small group of employees in the same work area or doing a similar type of work who voluntarily meet regularly for about an hour every week to identify, analyze and resolve work related problems, leading to improvement in their total performance and enrichment of their work life.

Features are:

- Small group of employees-Quality circle is a small group of employee of 8 to 10. A circle with less than 5 members would lose its vitality due to high rate of absenteeism. This may cause a circle to become inactive. If more than 15 members in a circle could result in denial of opportunity for active participation by everyone.
- Same work area- Quality circle is organized in the same work area or doing similar type of work. It is a homogeneous group.
- Voluntary-Employees decide to join quality circles on their own willingness. This is based on voluntarism principle.
- Meet regularly-They meets for about an hour every week.These meetings could be conducted during or after working hours
- Deals work related problems-Quality circles identify, analyze and resolve work related problems.
- Total performance-They resolve work related problems relating to quality, productivity, cost reduction etc the total performance of the work area normally improves.

6.What are the problems faced by trade unions in India?

The problems or the limitations faced by trade unions are:

- Small size-The trade union movement in India is plagued by the predominance of small sized unions.
- Poor finance-It is the small size of trade unions accomplished by small subscriptions; the trade unions cannot undertake welfare activities.
- Politicization-In India the leadership has been provided by outsiders especially professional politicians. The political leaders possess little knowledge of the background of labour problems, fundamentals of trade unionism etc.
- Multiplicity of unions-It is also characterized by multiplicity of unions based on creed, caste and religion.

- Limited membership- The total membership form a small percentage of the total workers. Even in organized sector where trade unions are strong, a good number of workers do not join any union.
- Migratory character-The workers do not take keen interest in union activities because they are mainly concerned with coming from and going to their villages.
- Illiteracy-Indian labour is illiterate and fails to understand the trade unionism. Workers could not understand the implications of law and the outside leadership.

7.Explain the functions of trade unions

The Trade union performs two types of functions:

a) Militant or fighting functions

b) Mutual help functions

<u>Multiple functions main objective</u> is

- To achieve higher wages and better working conditions
- To raise the status of workers as a part of industry
- To protect labors against victimization and injustice.

<u>Mutual help functions</u>

- The activities of the trade union aim at rendering help to its members in times of need and improving their efficiency.
- Trade unions try to foster a sprint of cooperation and promote friendly industrial relations
- They take up welfare measures for improving the morale of workers and generate self confidence among them
- They also arrange for legal assistance to its members, if necessary.
- Some trade unions even undertake publication of some magazine or journal. These activities may be called fraternal functions.
- They undertake many welfare measures for their members. eg : school for the education of children, library, reading-rooms, indoors and out door games.

8.What are the advantages of FDI?

A) Foreign Direct Investment is an investment in the form of a controlling ownership in a business in one country by an entity based in another country. It plays a pivotal role in the development of India's economy. It is an integral part of the global economic system.

There are some advantages to FDI:

1. <u>Economic Growth</u>: This is one of the major sectors, which is enormously benefited from foreign direct investment. A remarkable

inflow of FDI in various industrial units in India has boosted the economic life of country.

2. Trade : FDI have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country.
3. Employment and skill levels: FDI have also ensured a number of employment opportunities by aiding the settings up of industrial units in various corners of India.
4. Technology diffusion and knowledge transfer: FDI apparently helps in the outsourcing of knowledge from India especially in the information technology center. It helps in developing the know- how process in India in terms of enhancing the technological advancements in India.
5. Linkages and spillover to domestic firms: Various foreign firms are now occupying a position in the Indian market through joint ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures is spent on the Indian market.
6. Benefits to consumers: With more FDI, consumers will be able to save 5 to 10% on their expenses because products will be available at much less rates and the quality will be better as well.

9. What is MNC? What are the main features of MNCs?

A) Multi National Corporations is an enterprise that manages production or delivers services in more than one country.

MNC has some features:

- The headquarter is located at home country, but it operates in a number of other (host) countries.
- They are huge business enterprises. It is a giant sized. It exercises a great degree of economic dominants.
- They are commercial organisations having management, production and marketing wings.
- They have centralized ownership and control.
- It has a direct investment base in several countries.
- Its local subsidiaries are managed by nationals.
- It has multinational stock ownership.
- Their headquarters are located in one country (home country).
- It acquires more power through the process of merger, takeover etc.
- A large part of the capital assets of the parent company is owned by the citizens of the company's home country.

10.What are the advantages of Digital Economy?

A) Digital economy refers to an economy that is based on digital computing technologies, although we increasingly perceive this as conducting business through markets based on the internet and the World Wide Web. The digital economy is also referred to as the internet economy, New Economy or Web Economy.

The following are the important advantages of the digital economy:

- Promote use of the internet: Most of our daily work can be done on the internet. The enormous growth of technology and the internet that began in the USA is now a worldwide network. So there is a dramatic rise in the investment on all things related- hardware, technological research, software, services, digital communication etc. Digital economy has ensured that the internet is here to stay and so are web based businesses.
- Rise in E - Commerce: The businesses that adopt the internet and embraced online business in the last decade have flourished. The digital economy has published the E-Commerce sector into overdrive. Not just direct selling but buying, distribution, marketting, creating, selling have all become easier due to the digital economy.
- Digital Goods and Services: Gone are the days of Movie DVD and music CD's or records. Now, these goods are available to use digitally. There is no need for any tangible products anymore. Same is true for services like banking, insurance etc. There is no need to visit the bank. We can do every transaction online in our house. So certain goods and services have been completely digitized in this digital economy.
- Transperancy: Most transactions and their payment in the digital economy happen online. Cash transactions are becoming rare. This helps due to reduce the black money and corruption in the market and make the economy more transparent. In fact, during the demonetization, the government made it push for online transactions to promote the web economy.
- Reduce transaction costsand new revenue streams are formed.

12. What is the differences between FEMA and FERA

FEMA	FERA
FEMA is a management law.	FERA is a controlling law.

FEMA is much simple, and consist of only 49 sections.	FERA consisted of 81 sections, and was more complex.
These presumptions of Men's Rea and abatement have been excluded in FEMA.	Presumption of negative intention (Men's Rea) and joining hands in offence (abatement) existed in FEMA
The definition of Authorised person has been widened to include banks, money changes, off shore banking units etc.	Definition of Authorised Person in FERA was a narrow zone
FEMA is a civil law.	FERA was like a criminal law.
Under FEMA the quantum of penalty has been considerably decreased due to three times the amount involved.	The monetary penalty payable under FERA, was nearly the five times the amount involved.
The provision of FEMA, are not in consistent with income tax act, in respect to the definition of term "Resident". Now the criteria of "In India for 182 days" to make a person resident has been brought under FEMA.	There was a big difference in the definition of "Resident", under FERA, and income tax act.

13.What are role of MNCs in India?

A) MNCs have a strong hold over the Indian economy. They own assets of greater value. They have raised a major part of investment resources from within the Indian economy. Unfortunately, MNCs in India do not bring benefits as expected. The operations of MNCs have some harmful effects on the operations of the Indian economy. The roles are;

1. Profit maximization: the main objective of most of the MNCs is profit maximization.

2. Outflow of funds: Most of the MNCs transfer the foreign exchange to its parent country. Every year a large sum of money flows out of the country in the form of the dividends, profits, royalties, technical fees and interest to the foreign investors.

3. Diversification Policy : India expects the MNCs to diversify their activities into the untapped areas and the priority sectors like core industry and infrastructure industry. But majority of MNCs diversify into the more profitable areas.

4. Concentration in consumer goods : Most of the MNCs entered Indian consumer market like HLL due to greater profitability rather than capital goods markets, which are less profitable.

5. No latest technology: MNCs do not provide latest technology to the domestic companies of the third world. India government requested MNCs to provide their technology to Indian companies even before the economic liberation in 1991 through joint ventures. But MNCs in India carry out their business on their own rather than collaborating with the Indian business houses.

6. No social obligation: MNCs in India try to maximize their profits.They exploit the natural resources in India for their advantage. They export the product from India to other countries and transfer the income from sale to their home countries. It is criticized that MNCs price the products exclusively based on business principles rather then social considerations.

7. Cultural erosion: Indian culture particularly with regard to dressing, eating habits, family relations are quite different from the rest of the world. But it is criticized that the activities of MNCs with regard to type of products, advertisements and the like, erode the Indian culture.

8. Environmental pollution and threat to ecological balance: MNCs in India did not invest in environmental pollution control equipments. This in turn resulted in environmental pollution. Bhopal gas tragedy is an example. Further, it is criticized that MNCs in India are not concerned in maintaining ecological balance in the country.

14.What are the important active areas of fintech innovation?

A) Fintech - Financial Technology is used to describe new technology that seeks to improve and automate the delivery and use of financial services. It refers to the use of technology across all financial service functions. At its core, fintech is utilized today to help companies, business owners and consumers better manage their financial operations, processes, and lives by utilizing specialized software and algorithms that are used on computers and, increasingly, smartphones.

Some of the most active areas of fintech innovation include or revolve around the following areas:

- Crypto currency and digital cash
- Blockchain technology, including Ethereum, a distributed ledger technology (DLT) that maintain records on a network of computers, but has no central ledger.

- Smart contracts, which utilize computer programs (often utilizing the blockchain) to automatically execute contracts between buyers and sellers.
- Open banking, a concept that leans on the blockchain and posits that third parties should have access to bank data to build applications that create a connected network of financial institutions and third party providers.
- Insurtech, which seeks to use technology to simplify and streamline the insurance industry.
- Regtech, which seeks to help financial service firms meet industry compliance rules, especially those covering Anti- Money and Know Your Customer protocols which fight fraud.
- Robo-advisors, such as Betterment, utilize algorithms to automate investment advice to lower its cost and increase accessibility.
- Unbanked/underbanked, services that seek to serve disadvantaged or low-income individuals who are ignored or underserved by traditional banks or mainstream financial services companies.

15.Explain the demerits of FDI in retail business?

FDI in retail business has some demerits:

- Deprivation of marginal farmers: Farmers maybe given remunerative prices initially, but eventually they will be at the mercy of big retailers. The number of people getting jobs will be lesser than the amount of people losing the same as a substantial amount of marginal and small farmers will be wiped out.
- Aggressive pricing: There will be aggressive pricing and prevalence of monopoly.
- Dependability: The country may depend on another country for FDI inflow. It increases dependency and decreases independancy . The economic growth may become more endangered one depending on another country economic. The capital giant may dominate the industry exceeding the domestic player.
- Revenue: FDI in retail will drain out the country's share of revenue to foreign countries, which may cause negative impact on India's economy.
- Fuel inflation: It may bring down prices initially, but fuel inflation once multinational companies get a strong hold in the retail market.
- Limited Employment generation: FDI in retail will create a lot of jobs in the organised retail sector, but it is argued that it cannot provide employment of opportunities to semi- illiterate people.

- Chance of dilution: Though Government has stipulated that 30% procurement should be from Indian sources, this may get diluted over the years. The remaining 70 percentage procurement from cheaper countries will make the people run towards that stuff and the 30 percentage supply from Indian small industries will have their own death, unable to compete with low price Chinese goods.
- Hampering existing supply chain: It will disintegrate established supply chains by encouraging monopolies of global retailers.
- Disruption of the traditional system: The majority of consumers, who buy a essentials from their neighbourhood stores on credit and pay bills on a monthly basis, will also suffer with the disruption of the traditional system.

Essay Questions

1.What is Five year plan? Explain 12 Five year plans in short?

Five year plans are centralized and integrated national economic programs. Joseph Stalin I'm anted the first five year plan in the Soviet Union in 1928.

<u>Goals</u>

1.Growth

2.Equity

3.Modernization

4. Self-Reliance

<u>First Five Year plan(1951-1956)</u> :The launching of the Five year plan in April 1951initiated a process of planned economic development of the country - aiming note merely at raising the standard of living of the people, but also opening out them new opportunities for a richer And a more varied life. Leadership of Jawaharlal Nehru, introduced the plan Dr.K.N.Raj .The plan based on Harrod do mar model. They focus on agricultural development of the country. The total planned budget of Rs:2069 core was allocated to seven broad areas; irrigation and energy ,agriculture and community development, transport and communication etc. The plans are Bhakara ,Hirakud, Mettur Dam etc, the growth rate 3.6%.

<u>Second Five year plan (1956-1961)</u> :The plan has to carry forward the process initiated in the first plan period. The plan is a leadership of Jawaharlal Nehru .The plan based on the P.C. Mahalanobis model. It is a first priority to industries and minerals and second priority o transport and communication. A sizeable increase in national income so as to raise the

level of living in the country. Rapid industrialization with particular emphasis on the development of basic and heavy industries. A large expansion of employment opportunities and Reduction of inequalities in income and wealth and more even distribution of economic power.

Third Five year plan (1961-1966):The plan is also called Gadagil yojana.The main target of this plan was to make the economy independent. The stress was laid on agricultural and the improvement in the production of wheat. They have primary school started in rural areas, and then state secondary education and state electricity board were firmed. The plan is not successful because growth rate of national income was below the target of 5%.per capital income does not shown an increasing trend.

Plan Holiday(1966-1969) :The failure of the 3rd plan forced the govt to declare plan Holiday. The main reason of plan Holiday, Indo-pak is than war,l ack of resources, devaluation of currency, increase in prices.

Fourth Five year plan(1969-1974) :The basic plan were to raise the standard of living of the people, especially of the less privileged sections of society. Along with this importance was also given for removing or reducing and or preventing the concentration of wealth and economic power. The plan aimed to achieve rapid economic growth by securing social justice, by reducing disparities of income and wealth, and redressing regional imbalances.

Fifth Five year plan(1974-1978) :The fifth five year plan terminated by" Janatha government" at a time when inflation was very high. The chairman of this plan was "Indira Gandhi" and deputy chairman"D.P.Dhar". The objectives in view of this plan were removal of poverty and achievement of self reliance. It is associated with Indira Gandhi's slogan of "Garibi Hatao".

Rolling plan (1978-1980): After termination of the fifth five year plan the rolling plan was introduced. The plan has several advantages as the target could be mended and projects, allocations etc. were variable to the countries economic, this means that if the Targets can be amended each year, it would be difficult to achieve the targets and will result in destabilization in the Indian economy.

Sixth five year plan (1980-1985):The Janatha government which formulated the six year plan. The chairman of this plan was Indira Gandhi and acting prime minister Rajeev Gandhi development of a public sector, poor irradiation, employment opportunity are the main aim of sixth five year plan.

Programmes under sixth plan

-family planning

-second bank nationalization

-important social welfare programmes;

- .Integrated rural development program
- .National employment program
- .Rural landless employment grantee program
- .Development of women and children rural area
- .Training rural youth self mission

Seventh five year plan(1985- 1990): The seventh plan represented a massive national endavour to build a new India free from the fear and want of exploitation. The chairman of seventh five year plan was Rajeev Gandhi. They have main aims are removal of poverty, employment opportunity, service, production growth, started speed box service.

The important social welfare scheme;

- Indira awas yojana-1985
- Million wells scheme- 1989
- Jawahar Roskar yojana-1999
- Priyadharsini-1989

Eight five year plan: The plan also known as Ravuman Mohan model. The chairman of eight five year plan was P.C. Narasimharavu. The main aim was HRD,NEP activity started in the new economic policy outcomes of lPG (liberalization,privatization,globalization).

The important social welfare scheme;

prime minister rosakar yojana-1993

mahila samithi yojana-1993

Indira mahila yojana-1995

Mid day meal program-2001

Ninth five year plan(1997-2002): The plan focus on growth with social justice and equality, it emphasis on sustainable development of economy and society, ensuring food, nutritional security and basic minimum service to all. The ninth plan promoting institution like panchayath raj.

Objectives;

- To priorities agricultural sector and emphasis on the rural development
- To ensure food and nutritional security
- To check the growing population increase
- To generate adequate employment opportunities and promote poverty reduction
- To create a liberal market for increase in private investment

<u>Tenth five year plan(2002-2007):</u> The primary aim of the plan is to renovate the nation extensively, making it competent enough with some of the fasts growing economies across the globe and meet the united nations mill development goals(MDG)target.

<u>Eleventh five year plan (2007-2012):</u> The plan period of Manmohan Singh as a prime minister. The main scheme of the plan "Faster and more inclusive growth".its growth rate target was 9% but it achieved only 7.9% it increase enrollment ratio of higher education of 18-23 years of age group by 2011-2012.

Objectives:

- Rapid and inclusive growth (poverty reduction)
- Emphasis on social sector and delivery of service there in
- Empowerment through education and skill development

<u>Twelfth five year plan(2012-2017):</u> Twelfth five year plan of the government of India was India's last five year plan. The plan envisaged three scenarios termed as" strong inclusive growth", "insufficient action" and " policy logjam".the twelfth plan stresses the important of infrastructure development especially in the power sector and removal of bottlenecks for high growth and inclusiveness.

2.What is PPP? Explain the important initiatives taken by central Govt of India for the success of public private Partnership.

The expression public-private partnership is a widely used concept world over but is often not clearly defined. There is no single accepted international definition of what a PPP is(World Bank,2006).The PPP is defined as "the transfer to the private sector of investment projects that traditionally have been executed or financed by the public sector"(IMF,2004).PPP means an arrangement between a govt /Statutory entity/Govt owned entity on one side a private sector entity on the other, for the provision of public assets and /or public services, true investments being made and /Or management being undertaken by the private sector entity, For a specified period of time, Where there is well defined allocation of risk between the private sector and the public entity and the private entity receives performance Linked payments that conform to specified and pre determined performance Standards, measurable by the public entity or its representatives.

<u>Essential condition</u>

- Arrangement with private and public sector entity .
- Public asset or service for public benefit
- Operation for a specified period
- Risk taking with private sector
- Conformance to performance standards.

Important initiatives of the central Govt for the success of PPP;

<u>1)Committee</u> :In order to provide enabling policy framework and competent monitoring of PPP projects, The government had constituted committee on infrastructure in Aug 2004 under the chairmanship of the prime minister, with the objectives of initiating policies that would ensure time -bound creation of world class infrastructure, delivering services matching international standards, developing structures that maximize the role of PPPs and monitoring Progress of key infrastructure projects to ensure that established targets are realized .In July 2009,the COI was replaced by the cabinet committee on infrastructure chaired by the prime minister to give further momentum to the initiatives for development of infrastructure. It approved and reviewed policies and projects across infrastructure sectors. It also consider and decided on financial ,institutional and legal measures required to enhance investment in infrastructure.

<u>2)Public Private Partnership Appraisal Committed(PPAC):</u> With a view to streamlining and simplifying the appraisal and approval process for PPP projects, a public Private partnership appraisal committee has been constituted under the chairmanship of secretary ,Department of economic affairs and secretaries of planning commission, department of expenditure, department of legal affairs and the concerned administrative department as its members.

3)India Infrastructure Finance Company limited (IIFCL): India infrastructure company limited was set up as a non banking company for providing long term loans for financing infrastructure projects that typically involve long gestation periods. The IIFCL lends up to 20 per cent of the project Cost and one -half of its lending can also be in the form of subordinated debt, which often serves as quasi equity. IIFCL raise funds from domestic And overseas markets on the strength of Government of India guarantees.

4)Empowered Committee/Institution(EC/EI): An intuitional framework comprising an inter-ministerial empowered committee has been established for the purpose of Apprising and approving projects for availing the viability Gap Funding grant of up to 20 percent of the cost of infrastructure projects undertaken through PPP.

5) Viability Gap Funding (VGF) scheme: A viability Gap Funding scheme was notified in 2006 to enhance the financial viability of competitively bid infrastructure projects which are justified by economic returns, but do not pass the standard thresholds of financial return. Under the scheme, grant assistance of up to 20 per cent of capital costs of infrastructure projects is provided by the Central Government to PPP projects undertaken by any Central ministry, State Government ,statutory entity or local body ,thus leveraging budgetary resources to access a larger pool of private capital .An additional. grant of up to 20 per cent of the project costs can be provided by the sponsoring authority .In the case of national highway projects, the entire VGF is provided by NHAI from the cess revenues transferred to it by the government. The aforesaid VGF support for each projects is determined through competitive bidding.

6)India Infrastructure Projects Development Fund(IIPDF): Ministry of finance has also created an India infrastructure projects Development Fund to provide loans for meeting the development expenses, including the cost of engaging consultants for PPP projects.

3.What is monetary policy? Explain the important tools used in monetary policy of India?

The policy formulated by the Central bank of a county to control the supply and the cost of money (rate of interest), in order to attain some specified objectives is known as Monetary Policy. Monetary policy influences the supply of money, the cost of money or the rate of interest and the availability of money. One of the most important functions of Reserve Bank is to formulate and administer a monetary policy. Such a policy refers to the use of instruments of credit control by the Reserve bank so as to regulate the amount of credit creation by the banks.

Objectives

- Promotion of saving and investment
- Controlling the imports and exports
- Managing business cycles
- Regulation of aggregated demand
- Generation of employment
- Helping with the development of infrastructure
- Allocating more credit for the priority segments
- Managing and developing the banking sector

Tools of Monetary Policy:

The instruments of monetary policy are tools or devise which are used by the monetary authority in order to attain some predetermined objectives. There are two types of instruments of the monetary policy.

A) Quantitative instruments OR General Tools

B) Qualitative instruments OR Selective Tools

Quantitative Credit Control Weapons:

The following are the main quantitative credit weapon used by RBI to control credit.

1.Bank rate policy: Bank rate is the minimum rate at which the Reserve Bank is ready to grant loans and advances to commercial banks or to rediscount bills of exchange. According to section 49 of the Reserve Bank of India Act the bank rate as, "the standard rate at which the Reserve Bank is prepared to buy or rediscount bills of exchange or other commercial papers eligible for purchase under the act". Thus the Bank rate is the rate at which the Reserve Bank purchase or rediscounts the specified bills and commercial papers or grant loans to the commercial banks against approved securities.

2.Open Market Operations: It means purchase and sales of government securities in the open market .If there is excess supply of the money .RBI sells securities are able to withdraw excess money. There is shortage of money RBI purchases activities-more money arrives for circulation.

3.Variable Cash Reserve Ratio(CRR): Every schedule bank is require to maintain a fixed percentage of their time and demand deposits as cash reserve with RBI. When CRR increases- reduces the excess resource of the bank. Contraction of credit , when CRR decreases -increases the excess resource of the bank-Expansion of credit supply.

4.Variable Statutory Liquidity Ratio: Every commercial bank is required to maintain not less than 25% of time and demand liabilities in the form of liquid asset such as gold securities with RBI. When SLR decrease - its results in the increases of resources with the commercial bank, when SLR increase - it results in the decrease of resources with the commercial bank.

Qualitative Credit Control Weapon:

It adopts to divert the follow of credit form speculative and unproductive purpose to production and urgent activities.

1. Issuing of Directives : As per the banking regulation act 1949,the Reserve Bank Of India is empowered to issue directives to any particular bank or banking system and the banks are bounded to comply with the directives issued to them. The Reserve Bank directives may related to ; purpose for which the advance may or may not be made, margins to be maintained in respect of secured advances.

2. Regulation Of Margin Requirements: RBI stipulated certain margin requirements on advances which are given against certain commodities. The main aim of fixing higher margin requirements for advances is to curb the granting of advances for the above commodities and to bring down the prices.

3. Differential Rare of Interest : lower rates of interest is charged on advances for other purposes. This weapon has extensively used by RBI since 1973.RBI has prescribed a lower rate of interest on advances to priority sectors like export trader.

4. Credit Authorization Scheme : This scheme was introduced in November 1965. Under this scheme, the commercial bank are required to obtain RBIs authorization before granting any fresh credit of Rs 1 crore to any single party. The limit was later enhanced to Rs 4 crores in November 1983. It was further increased to Rs 6 crores with effect from April 1986. The aim of this scheme is to restrict the excessive flow bank credit to large concerns.

5.Moral Suasion And Credit Rationing : It involves persuasion of commercial banks to follow certain lines of policies ,impressing upon them the necessity to do so. There are no elements of compulsion. The success of this measure depends upon the active involvement and cooperation of commercial banks.

Rationing of credit is a system under which the Central bank seeks to limit the total amount of loans advances of specific categories of loans and advances granted by commercial bank.

6.Direct Action: RBI is not depending to this weapon very often. But it is adopted when all other measures fail. It implies the refusal of the reserve Bank to extent rediscounting facilities to banks which follows unsound banking practice or to grant further accommodation to banks whose capital and reserve are inadequate in relation to the amounts already sanctioned.

7.Control of Foreign Exchange Operation: It is one of the important Central Banking functions performed by RBI .The Central Government authorized RBI to deal to foreign exchange, gold, coin and billion etc.

4.Critically evaluate the flows of FDI in India.

International trade and foreign direct investment (FDI) are the two most important international economic activities integrating the world economy. With the increase in the mobility of factors of production across countries, FDI has become an integral part of a firm's strategy to expand international business.FDI plays a crucial role in the development process of host economies. It also has a significant role in enhancing exports of the host country. It is estimated that the sales from foreign-owned facilities are about double the value of world trade.FDI not only serves as a source of capital inflow into host economies, but also helps to enhance the competitiveness of the domestic economy through transferring technology, strengthen-ing infrastructure, raising productivity, and generating new employment opportunities.

1. The dividend-balancing condition earlier applicable to foreign investment up to 51 per cent equity is no longer applied except for consumer goods industries.

2. Existing companies with foreign equity can raise it to 51 per cent subject to certain prescribed guidelines. Foreign direct investment has also been allowed in exploration, production and refining of oil and marketing of gas. Captive coal mines can also be owned and run by private investors in power.

3. NRIs and overseas corporate bodies (OCBs) pre-dominantly owned by them are also permitted to invest up to 100 per cent equity in high priority Industries with reparability of capital and income. NRI investment up to 100 per cent of equity is also allowed in export houses, trading houses, hospitals, EOUs, sick industries, hotels and tourism related industries.

4. Disinvestment of equity by foreign investors no longer needs to be at prices determined by the Reserve Bank. It has been allowed at market rates on stock exchanges from 15 September, 1992 will permission to repatriate the proceeds of such investment.

5. India has signed the Multilateral Investment Guarantee Agency Protocol for the protection of foreign investment on 13 April, 1992.

6. Provisions of the Foreign Exchange Regulation Act (FERA) have been liberalized through an ordinance dated 9 January 1993, as a result of which companies with more than 40 per cent of foreign equity are also now treated at par with fully Indian owned companies.

7. Foreign Companies have been allowed to use their trade marks on domestic sales from 14 May, 1992

5.What is MNC? Explain the role of MNC in India.

A multinational corporation (MNC) has facilities and other assets in at least one country other than its home country. A multinational company generally has offices and/or factories in different countries and a centralized head office where they coordinate global management. These companies, also known as international, stateless, or transnational corporate organizations tend to have budgets that exceed those of many small countries.

A multinational corporation, or multinational enterprise, is an international corporation that derives at least a quarter of its revenues outside its home country. Many multinational enterprises are based in developed nations. Multinational advocates say they create high-paying jobs and technologically advanced goods in countries that otherwise would not have access to such opportunities or goods. However, critics of these enterprises believe these corporations have undue political influence over governments, exploit developing nations, and create job losses in their own home countries.

Role of MNCs in India:

- Governments have many responsibilities such as alleviating poverty, providing social security and to develop the nation financially etc. But with limited funds, it has to prioritize the things to do. In the process, it is very difficult for governments of developing countries to invest in economic development. MNCs help governments in this case and bring a lot of foreign investment which paves the way for the economic development of the country.
- Unemployment is one of the serious problems of India. MNCs provide employment opportunities and helps in solving the unemployment

issue to some extent. As the wages will in turn be spent on buying goods and services in India, it'll be helpful for the Indian economy.

- The government will also get revenue in the form of taxes that MNCs pay.
- MNCs are also helpful in knowledge transfer. As MNCs operate in more than one country, they practically test and implement the best strategies. This technological and knowledge transfer helps the host countries.
- As MNCs give tough competition to domestic companies, people will get better quality products at lower prices.
- As many MNCs reinvest their profits in the host countries in general, it will be a plus to the host countries' economy.
- MNCs have better access to foreign markets. Some MNCs in India are tapping export markets and are helpful in improving the overall exports of India and thereby help in reducing trade deficits.
- MNCs helps host countries in maintaining better relations not just with their home countries, but also with the countries that they have trade relations.
- Indian MNCs are improving the status of India in the international community.

In the modern world, globalisation is inevitable. Though there were so many fears when India allowed MNCs into the country, they have been playing an important role in India's economic development. But not all MNCs are helpful for the host country. Some companies establish their businesses in other countries with the only motive of capturing the domestic market. Governments should be cautious in allowing this type of companies

6.What is digital economy? hat are the merits and demerits of digital economy?

Digital economy refers to an economy that is based on digital computing technologies, although we increasingly perceive this as conducting business through markets based on the internet and the World Wide Web. The digital economy is also referred to as the Internet Economy, New Economy, or Web Economy. Increasingly, the digital economy is intertwined with the traditional economy, making a clear delineation harder. It results from billions of everyday online connections among people, businesses, devices, data, and processes. It is based on the interconnectedness of people, organizations, and machines that results from the Internet, mobile technology and the internet of things

Digital economy is underpinned by the spread of Information and Communication Technologies (ICT) across all business sectors to enhance its productivity. Digital transformation of the economy is undermining conventional notions about how businesses are structured, how consumers obtain services, information and goods and how states need to adapt to these new regulatory challenges.

Merits of digital economy

- Greater information.
- Saves time.
- Reduced costs.
- Personalization.
- Lower barriers to entry.
- Creates significant data which can give new insights.
- Benefits for developing world.
- Enables people to work from home.

Demerits of digital economy

- Monopoly power.
- Less community.
- Addictive nature of technology.
- Privacy issues.
- Bypassing of labour laws.
- Social media has led to more graphic content.
- Disruption patterns.
- Environmental costs.

7. What are the measures taken by government to control the black money?

Black money includes all funds earned through illegal activity and otherwise legal income that is not recorded for tax purposes. ... Recipients of black money must hide it, spend it only in the underground economy, or attempt to give it the appearance of legitimacy through money laundering.

There is no one definition for black money in economics. In layman's language, it is money that has been acquired through illegitimate means or money which is unaccounted for, that is, for which tax is not paid to the government.

Spurious notes or counterfeit money is generally not counted as black money. Counterfeit notes are currency notes that are illegally printed by unauthorised agents.

Black money is hidden from government authorities and is not reflected in the GDP of India, national income, etc.

White money is money that is earned through legitimate means and is accounted for, for which income or other tax is paid.

In an ideal economy, all money that is transacted should be accounted for. This would help the government to collect taxes.

Cash transactions without proper accounting are known as black money

Measures taken by government to control the black money

- Demonetization
- Special Investigation team under Justice shah
- Promoting cashless Economy
- Amendment to Benami Properties Transaction Act
- Punishing corrupt officials
- Introduction of TDS on high value transactions
- Special Bearer Bonds
- Amnesty scheme
- Lower Tax Slabs to encourage voluntary Compliance
- National Housing Bank Scheme

Demonetization:-To bring out the black money or flush it out of the the economy by making it redundant the government banned rupees 500 and ₹ 1000 from the economy.

Special Investigation team under Justice Shah:-To unearth the black money stacked in the country . A Special investigation team on black money is constituted under chairmanship and vice-chairmanship of two former judges of Hon'ble Supreme Court.

Promoting cashless Economy:-To ensure better control over money flow in the economy and prevent creation of Black Money e several effort made by the government and RBI.They took measures to encourage cashlescashlestransac.Card based transactions or digital transactions automatically uploads transactions details under the PAN card.such a system will reduce the scope of black money. Government initiatives for cashless transactions economy .

Amendment to Benami Properties Transaction Act:-It is amended to provide with a wider definition to Benami properties and to provide with robust structural mechanism to deal with black money.

Punishing corrupt officials the Government of India has taken and continuous to take rigorous actions against those involved in corruption.

Introduction of TDS on high value transactions:- the government introduced Tax deducted at source to all transaction involving immovable assets above rupees 50lakh.he also introduced a new tax commodities Transaction Tax or CTT hoping it will help in keeping a trail of Bullion trade

Special bearer Bonds:- this way special bonds introduced by Indian government in 1981 to make use of the unaccounted money for the constructive purposes .black money holders could convert the money to those bonds and could enjoy the freedom from any enquiry or investigation about source of these funds .the carried 2percentage interest and had a lock period of 10 years.

Amnesty scheme :-the Finance ministry introduced the Amnesty scheme from time to time. It allows tax defaulters to pay tax waving the penalty and interest .using these scheme ,a defaulter could disclose their wealth and convert them to legal money no more questions will be asked. this scheme help government to collect the taxes and bring huge amount to legal money back into the Indian market.

Tax slabs to encourages voluntary Compliance:- the tax rates are high in the early seventies and many people to be involved in tax evasion since this became and evident and reason for increasing black money government took steps to reduce the tax rates.

National Housing Bank Scheme:- In July 1991 the union finance minister proposed a new scheme in July 1991 National housing Bank scheme to pursue black money into the lawful operation of the national economy the screen of processes of unaccounted money on opportunity to dispose it any amount of money with NHB without disclosing a source of funds.

Other Measures:

People should be educated with regard to real object of collections of taxes through press, radio, TV, and films.

Steps should be taken to convince the taxpayers that the money collected through taxes is not spent wastefully but put to proper use.

8. What is NIP and its conditions necessitated the adoption of a new industrial policy in July 1991?

The New Industrial Policy of 1991 comes at the centre of economic reforms that launched during the early 1990s. All the later reform measures were derived out of the new industrial policy. The Policy has brought comprehensive changes in economic regulation in the country. As the name suggests, these reform measures were made in different areas related to the industrial sector.

As part of the policy, the role of public sector has been redefined. A dedicated reform policy for the public sector including the disinvestment programme was launched under the NIP 1991. Private sector has given welcome in major industries that were previously reserved for the public sector.

Similarly, foreign investment has given welcome under the policy. But the most important reform measure of the new industrial policy was that it ended the practice of industrial licensing in India. Industrial licensing represented red tapism.

Because of the large scale changes, the Industrial Policy of 1991 or the new industrial policy represents a major change from the early policy of 1956.

The new policy contained policy directions for reforms and thus for LPG (Liberalisation, Privatisation and Globalisation). It enlarged the scope of private sector participation to almost all industrial sectors except three (modified). Simultaneously, the policy has given welcome to foreign investment and foreign technology. Since 1991, the country's policy on foreign investment is gradually evolving through the introduction of liberalization measures in a phase wise manner.

Perhaps, the most welcome change under the new industrial policy was the abolition of the practice of industrial licensing. The1991 policy has limited industrial licensing to less than fifteen sectors. It means that to start an industry, one has to go for license and waiting only in the case of these few selected industries. This has ended the era of license raj or red tapism in the country. The 1991 industrial policy contained the root of the liberalization, privatization and globalization drive made in the country in the later period. The policy has brought changes in the following aspects of industrial regulation:

The NEW INDUSTRIAL POLICY:-The government of India announced its new industrial policy 24th julyJ1991.the policy aimed at to unshackle the indian industrial economy from unnecessary bureaucratic controls.

Condition necessitated the adoption of a new industrial policy in July 1991:-

- To build a prosperous country
- To build up the ability to pay for imports
- To utilize and develop indigenous technology
- To spread industrialization in backward areas
- To give importance to private sector
- To create a competitive economy
- To promote foreign investments in India
- To encourage foreign trading companies to assist export activities
- To promote better industrial environment
- To adopt disinvestment
- To strengthen the provisions of MRTP Act

<u>To build a prosperous country :-</u>Government is pledged to launch a reinvigorated struggle for social and economic justice , to end poverty and unemployment and to build a modern democratic , socialist ,prosperous and forward looking indii.such a society can be built if india grows as part of the world economy not economy and not in isolation.

<u>To build up the ability to pay for imports:-</u>The government still continues to follow the policy of self-reliance. At the same time there would be greater emphasis placed on building up our ability to pay for imports through our foreign exchange earnings .

<u>To utilize and develop indigenous technology :-</u>Government is also committed to development and utilization of indigenous capabilities in technology and manufacturing as well as it is up gradation to worldwide standarders. To pursued a sound policy framework encompassing encouragement of entrepreneur ship development of indigenous technology through investment in research and development ,bringing in new technology, dismantling of the regulatory system, development of the capital markets and increasing competitiveness for the benefit .

<u>To spread industrialization in backward areas</u>::-The industrialization to be spread in backward areas of the country and it will be actively promoted through appropriate incentives , institutions and infrastructure investments.

To give importance to private sector :- A full realization of the industrial potential of the country for a continuation of this process of change .the industrial licensing system has been gradually moving away from the concept of capacity licensing. the system of reservation for public sector undertakings has been evolving towards an ethos of Greater flexibility and private sector enterprise has been gradually allowed to enter into many of these areas on a case-by-case basis.

To create a competitive economy :-Indian economy benefit by becoming more competitive more efficient more model and will take its rightful place in the world of industrial progress

To promote foreign investments in India:- opportunities for promoting foreign investments in India should also be fully exploited to free Indian industry from official controls. in view of the significance development of India's industrial economy in the last 40 years, he general resilience, size and level of sophistication to be achieved and significant changes that have also taken place in the world industrial economy the relationship between domestic and foreign industry accept or need to be much more dynamic than it has been in the past in terms of both technology and investment foreign investment would bring attendant advantages of technology transfer ,marketing expertise introduction of modern managerial techniques and new possibility for promotion of Exports

To encourage foreign trading companies to assist export activities:- promotion of exports of Indian product calls for a systematic exploration of world markets is possible only through intensive and highly professional marketing activities the expertise of this nature is not well developed so far in India .the government should encourage foreign trading companies to assist us in our export activities

To promote better industrial environment:-there is a great need for promoting and industrial environment where the acquisition of technological capability receives priority in the fast changing world of Technology the relationship between suppliers and users of Technology must be found in the relationship becomes difficult to achieve and the approval process include unnecessary government interference a case to case basis involving common delays and fostering uncertainty.

To adopt the investment:-in the case of selected and their part for government holding in the in equity share capital of these in the enterprises will be disinvested in order to provide further market discipline to the performance of public Enterprises there are a large number of chronically sick Public enterprises incurring heavy losses operating in a competitive market and serve little or no public purposes these need to be attended to.

To strengthen the provision of MRTP act :-provisions of the act will be in order to enable the MRTP Commission to take appropriate action in respect of the monopolistic restrictive and unfair trade practices the newly empowered MRTP Commission will be encouraged to require investigations suomoto or on complaints received from the individual consumers are classes of consumers .

9. **Explain the consequences of globalization for India**

Globalisation is not an entirely new concept. It extends back to centuries it we recall the vast trading empires built around the world.but the present day globalisation is a distinct one. it is aided by new market new tools new actors new rules lessening space shrinking time and disappearing boarders.this process is integrating Markets and economics worldwide attention as later speed further it is linking people lives more deeply intensively immediately and as we witness today more disturbingly than ever before today globalisation is driven by market expansion this out paching Governance of these market and their repercussion on people.

Effect of Globalisation in India

India is one of the countries that succeeded significantly after the initiation and implementation of globalisation. The growth of foreign investment in the field of corporate, retail, and the scientific sector is enormous in the country.

It also had a tremendous impact on the social, monetary, cultural, and political areas. In recent years, globalisation has increased due to improvements in transportation and information technology. With the improved global synergies, comes the growth of global trade, doctrines, and culture.

Globalisation in the Indian economy

Indian society is changing drastically after urbanisation and globalisation. The economic policies have had a direct influence in forming the basic framework of the economy.

Economic policies established and administered by the government also performed an essential role in planning levels of savings, employment, income, and investments in the society.

Cross country culture is one of the critical impacts of globalisation on Indian society. It has significantly changed several aspects of the country, including cultural, social, political, and economical.

However, economic unification is the main factor that contributes maximum to a country's economy into an international economy

Gives Access to a Larger Market

Through globalization countries and companies have access to a bigger consumer base. Instead of only selling products in their country a business can expand to other regions boosting sales and in the process making more money.

Provides Cheaper Goods for Consumers

Because of globalization a lot of companies are moving to areas where their cost of production is low they, in turn, offer cheaper products because they are not expensive to make hence lower prices for consumers.

Leads to Better Economies

With many multi nations heading to Africa to tap the consumer base in this part of the world more jobs are being created helping people in these countries get better wages and improve their stands of living.

These investments by these multinationals or foreign countries also help strengthen the economies of these countries with the foreign exchange they bring in. With an increased number of investors looking for investment opportunities around the globe, country economies will benefit wherever they invest. Through globalization economies of different countries are becoming more connected to one another since they depend on each other for trade.

Globalization has brought benefits in developed countries as well as negative effects. The positive effects include a number of factors which are education, trade, technology, competition, investments and capital flows, employment, culture, and organization structure.

Gives Access to a Larger Market

Through globalization countries and companies have access to a bigger consumer base. Instead of only selling products in their country a business can expand to other regions boosting sales and in the process making more money.

Provides Cheaper Goods for Consumers

Because of globalization a lot of companies are moving to areas where their cost of production is low they, in turn, offer cheaper products because they are not expensive to make hence lower prices for consumers.

Consequence of globalization for india

The rate of growth

Inflation

Industrial production

Exports

Imports

The foreign exchange reserves

Balance of payments position

FDI flows

Share in global outsourcing market

Macro Economic situation

Tariff rates

*The rate of growth: the rate of growth of the gross domestic product of India has been on the increase from 5.6 % during 1980 to 90 7% in the 1993 to 2001 period growth or real GDP which fell to 0.8 % in the crisis year of 1991 to 1992 to increased to 5.3 percentage in 94-95 the Indian economy advanced 7.1 % year-on-year in the third quarter of 2018 well below 8.2 % in the previous period and market expectation of 7.4 % GDP annual growth rate India average 6.21 % from 1951 until 2019

Inflation :-The annual rate of inflation which peaked at 17% in a August 199,came down steadily to less than 9% by the end of April 1995.During the last 5 years the rate of inflation has been single digit. Consequently India's position in the global economy has improved from the 8th century in 1991 to 4th place in 2001.when GDP is calculated on a purchasing power parity basis. The inflation rate in the year 2018 was 3.48%.

Exports :- export have shown healthy growth of around 17% per annum in US dollar terms and growth in imports has been of a lower order so as to encourage a failing trade gap.export of agriculture products during the last 5 years have multiplied three times in value terms. In 1991-92 agriculture and allied products were worth ₹ 78.8 billion but by 1996-97 they had risen to ₹ 239.9 billion .exports also increased by 24 per cent as compared to previous year. Exports to grow 7.3% to $325 billion in 2018-19,lower than 9.8% clocked in 2017-18.

Imports :-India's imports in 2004-05 stood at US$ 107 billion recording an increase of 35.62 percent compared with US$ 79 billion in the previous fiscal.Imports in India averaged 8222.23 USD million from 1957 until 2019. reaching an all time high of 45350 USD million in May 2019 and a record low of 117.40 USD Million in August oof1958.

The foreign exchange reserves:- India's Foreign Exchange Reserves comprise currency assets,gold ,special drawing rights and reserve tranche possistion in the International Monetary Fund the Foreign Exchange Reserves were $39 billion, $107 billion and $145 billion and is $180 billion. it is expected that India will cross the $ 200 billion mark soon India's total Foreign Exchange Reserves stand at the US $426.42 billion in 2018 to 19 according to Government statement India's Foreign Exchange Reserves continue to be confortably placed in excess of USD 400 billion.

*Industrial production :- index of industrial production has grown higher it has grown almost at par with the best years of the late eighties but the index of industrial production has fallen from 13 percentage in in 1995 -96 to 7% in96-97 .India is ranked 18th among the world leading exporters of services with a share of 1.3 % in world Exports .the services sector is expected to benefit from the ongoing liberalization of the foreign investment regime into the sector . for the whole year the manufacture sector at 6.9 % in 2018 to 19 up from 5.9% in 2017 to 18 industrial production growth rate is 3.5 % in 2017.

*Balance of payments position :- the balance of payment position is comfortable with the current account deficit at 1.2 percentage of GDP in 1996-97 reserves have increased by more than $ 3 billion US dollars in the first few months of 96-97 to exceed 29 billion US dollars during 1995-96. Foreign Exchange Reserves increased to almost 39 billion US dollar in 2000 to 2001.despite exports and imports growing at the same rate of 9 per cent India's trade deficit reached a record high dollar of $ 176 billion in 2018 to 19.

FDI flow the sectors attracting highest FDI inflows are electrical equipments including computer software and electronics telecommunications transportation industry etc. in the inflow of FDI India has surpassed South Korea to become the fourth largest recipient. the FDI which attracted large FDI in 2017 to 18 are services computer software and Hardware ,telecommunication trading, Chemicals and automobile industry.

*Share in global outsourcing market:- India controls at the present 45 per cent of the Global Outsourcing market with an estimated income of $ 50 Billion.

*Fiscal reforms:- the process of Fiscal reforms is progressing through tax reforms leading to higher revenue buoyancy, restructuring of loss making the public and enterprises and curb in low priority government revenue expenditure. while the savings rate has increased over time it has not been able to match the increase in the domestic investment rate with the gathering growth momentum of the economy .the domestic savings investment gap has sent by increasing flow of foreign savings. Government introduced GST in India in 2017

*Macro-economic Situation:- a closer look at the Macro level shows that within the manufacturing sector production of key and basic industries is growing at a faster rates. The Macro Economic situation has surely improved compared with what it was at the beginning of nineties. but it has not yet reached the growth rate of the late eighties. Further there is increasing competitiveness in economic activities. A number of large projects in those sectors like power and steel involve the Indian and foreign private sector investment for the first time on a big scale

Tariff rates:- Though tariff rates went up slowly in the late nineties it reduce tariff rates .peak tariff rates are to be reduced to be reduced to the minimum with the peak rate of 20%,in another 2 years most non tariff barriers have been dismantled by March 2002,including almost all quantitative restrictions. According to the world trade organization India has made consistent effort to liberalise and facilitate Trade , but its tariff regime remains complex and the average duties rates have gone up over the past four years.

10. Explain the salient features of Right to Information Act 2005?

Right to Information Act or RTI Central legislation, which enables the citizens to Procure information from a public authority? RTI act is a progressive legislation based on citizen's right to know which is a fundamental right enshrined in the constitution of India. The purpose of the act is to make the executive accountable and ensure transparency in the implementation of schemes and policies. Under the act, information may be sought from a public authority as defined under the act. Common examples of public authorities are PMC,MSEB,RTO,PMT etc. Right to information includes right to inspect documents. It came into force on 12th October 2005 The Act extends to the whole of India except the state of Jammu and Kashmir. Under the RTI Act 2005, Public Authorities are required to make disclosure on various aspects of their structure and functioning.

This includes:

1. Disclosure on their organisation, function, and structure,

2. Powers and duties of its officers and employees

3. Financial information

If such information is not made available, citizens have the right to request for it from the authorities. This may include information in the form of documents, files, or electronic records under the control of public Authority.

<u>Salient features of Right To Information Act 2005</u>

11. Right to information
12. Replaced freedom of information Act 2002
13. Jammu and Kashmir has separated Right to information Act 2000
14. 3 Level - public information officer, First Appellate Authority, Central Information Commission
15. Time period for Public Information Officer: Expeditiously or within 30 days from the date of receipt by public authority
16. Maximum time gap for 1st appeal: 30 days since limit of supply of information is expired
17. Time period for Appellate Authority: Within 30 days or in exceptional cases 45days from the date of receipt by public authority.
18. Maximum time gap for 2nd appeal:90 days since limit of supply of information is expired
19. RTI act also asks for computerization and proactively publish information
20. Bodies excluded under RTI: Central Intelligence and security Agencies, of state specified through notification. The exclusive is not absolute
21. (31) sections and (6)chapters in the act
22. Section(8)deals with information exempted under the purview of this act.
23. Central Information Commission shall consist of : 1chief information commissioner and up to 10 Central Information Commissioners

11. What is Madhav Gadgil Committee Report ? Discuss the difference between Madhav Gadgil Committee Report and Kasturirangan Committee Report.

Gadgil Commission, an environmental research Commission is named after its chairman Madhav Gadgil. The Commission is formally known as Western Ghats Ecology Expert Panel (WGEEP). It was environmental research Commission appointed by the ministry of environment and Forests of India. The commission submitted the report to the Government of India on 31 August 2011.

The Expert Panel approached the project through a set of tasks such as:

1. Compilation of readily available information about Western Ghats

2. Development of Geo-spatial database based on environmental sensitivity,

3. Consultation with government bodies and civil society groups

The Western Ghats is an extensive region spanning over 6 States, 44 districts and 142 taluks. It is the home of many endangered plants and animals. Western Ghats host India's richest wilderness in 13 national parks and several sanctuaries. It is recognised by UNESCO f one of the world's 8 most important biodiversity hotsports, these forested hills are also sourcing to numerous rivers, including the Godavari, Krishna and Cauvery. The Western Ghats acts as a huge water tank supplying water to six states.

<u>Gadgil Committee Recommendations:</u>

1. Biodiversity values: Western Ghats is one of the 35 biodiversity Hot-spots of the world and, one of the eight hottest hot sports of biodiversity

2. Ecosystem Service Value of the Western Ghats: more than 28 crores off people from 6 States, namely Gujarat, Goa Maharashtra, Karnataka, Tamilnadu, and Kerala are dependent on the Western Ghats mainly for water for irrigation and drinking.

3. The ecological integrity of the Western Ghats has a telling effect on the climate, resulting in the life and livelihood of the people.

The entire Western Ghats had to be decided based on the significance of the area. Thus, three categories have been identified, namely

1. Most significant area-Ecologically sensitive zone 1(ESZ1)

2. Moderately significant area ESZ 2

3.Less significant area- ESZ 3

Criticisms of Madhav Gadgil Report

- The major criticism faced by Gadgil Committee report was that it was more environment-friendly and not in tune with the ground realities
- Recommendation were cited as impractical to implement
- Gadgil report has asked for a complete eco-sensitive cover for the Western Ghats which hamper different states on engergy and development fronts
- There was a criticism against the constitution of a new body called WGEA. States insist that protection can be given under existing laws

Kasturirangan Committee Report

Kasturirangan Committee was set up to study the Gadgil committee report on the Western Ghats (WGEEP) report. The committees often called HLWG-it denotes the 10member high-level working group (HLWG), headed Kasturirangan. Kasturirangan panel report was submitted on April 15, 2013. Environment Ministry Accepted this crucial report on Western Ghats and decided to declare the Ecologically sensitive Area over 37%of Western Ghats under the environment protection Act 1986

Difference between Madhav Gadgil Committee Report and Kasturirangan Committee Report

Gadgil Report	Kasturirangan Report
Enthithe WG should be considered as ESZ	Removed cash crops, agricultural lands and settlements from ESZ
Created three categories of protection regimes and listed activities	Made the distinction between what it called cultural landscape and natural landscape
137000 hectares should be awarded the status of ESZ	60000 hectares should be awarded as ESZ

12. What is Global Warming? Explain causes and effects of Global Warming

Global Warming is a word that is being used widely all over the Universe. As the term suggests, it is just the warming up of the globe but the effects are too frightening. Global warming simply means change in the climate it of the Earth due to various natural and manmade factors

It is defined as "an increase in the average temperature of the Earth's atmosphere especially a sustained increased great enough to causes changes in the Global climate.

Causes Global Warming

Manmade causes of Global Warming

- Cutting down of trees:- This is one of the major reasons for global warming. The forests filter the atmosphere and absorb the excess carbon dioxide from the atmosphere.
- Drilling and burning of fossil fuel: during the drilling of fossil fuel, the earth releases harmful gases into the atmosphere. This pollutes the environment. The newer techniques in drilling disrupt the balance of the environment
- Agricultural fertilizers: The present scenario is much that, it is impossible to meet the increasing demand of agriculture without the use of fertilizers. All agricultural farmers use fertilizers to increase protection which leads to increase in profit.
- Landfills: Landfills will promote Global Warming. This dumped waste release nitrous oxide, a dangerous green house gas that is very harmful to the environment
- Power plants: studies have proved that the power plants are responsible for more than 40 percentage of global warming. Most of the emissions are from coal and oil power plans.
- Exhaust from vehicles: studies have proved exhaust of vehicles is responsible for more than 35 % of global warming. Most of the vehicles run with an engine that uses fossil fuel that is harmful to the to atmosphere because off its emissions
- Over population: This is another case of global warming. Over population means more carbon dioxide in the atmosphere.

Effects of Global Warming

- Warmer climate: On average of the earth's temperature will become warmer than earlier, while some places will get warmer while others may not
- The rise of sea level: Due to global warming, the glaciers and ice sheets of Greenland and Atlantic will melt which will add water to the sea level, this causing many disasters like Tsunami
- Agricultural impact: According to multiple experiments, with the high concentration of CO2in the atmosphere, the growth of crops is twice than the normal growth.
- Temperature increase: There is a global increase in temperature due to global warming.

- Melting of ice: Due to the increase in temperatures globally, the ice in the polar belts has started to melt rapidly
- Ocean acidification: Global ocean conveyor belt is a system through which deep ocean water circulates.
- Hampers ecosystem: The coral reefs, the plans and all have a weak ecosystem. Due to global warming, their natural life cycle get disrupted causing damage to the ecosystem.
- Extinction of small Islands: due to the increases in the water levels, the small Islands are on the part of extinction. This might even cause flooding and storms.
- Widespread disease: Due the fluctuations in temperatures, the heat and the humidity of the different areas vary. Due to this change, it is can be a breeding ground for mosquitoes.
- Coastal cities at high risk: most of the cities in the coastal areas are at high risk due to the increases in the level of water due to global warming.

13. Explain External Environment factors affecting business environment?

The external environment "consists of those relevant physical and social factors outside the boundaries of the organization or specific decision unit that are taken directly into consideration. The external environment can be further broken into micro and macro environment.

External factors

1. Micro environment: It is consisting of the factors of the company's immediately environment that affect the performance of the company. There are different types of customer markets. There are follow:

24. Suppliers
25. Customers
26. Competitors
27. Marketing intermediaries
28. Public

- Suppliers: it is a person or entity that is the source for goods or services. A company that provides microprocessor to a major computer business is an example of a supplier.
- Customers: customers are the individual & business that purchase goods and services from another business. The way business treat their customers can give them a competitive edge. Although consumers can be customers, costume or use market goods and services.

- Competitors: Every company should consider their competitors while deciding their business strategy. They are facing competition from a wide range of competitors. It consist desire competition, generic competition, product from competition, brand competition.
- Marketing intermediaries: Those firms that aid the company in promoting, selling and distributing it's goods to final buyers. They are the connecting link between company and the final consumers.
- Public : A company's environment is surrounded by a number of public such as finance, -media, citizen, action, local, international etc.

2. Macro environment: It is more uncontrollable that the micro environment factors. The macro environment mainly consists;

- Economic environment
- Political environment
- Legal environment
- Social entertainment
- Natural environment
- Technological environment
- Labour environment
- Economic environment: it refers to the nature and direction of the economy within which business organisation are to function. The economic environment consists of Economic conditions, Economic policies, industrial policies and Economic system. These are the important external factors which effect the economic environment of the business.
- Political environment: Political environment factors have great impact on business. The political environment factors may be national or international. It has a closer relationship with the economic system and economic policy of a country.
- Legal environment: In most of the countries there are number of laws which regulates the conduct of the business. These laws cover matters related with standardization of the product, packaging, promoting, ethics etc.
- Social environment: The social environment of business consists of social factors like customer, traditional, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the value that a society cherishes have a considerable influence on functioning of business firms.
- Socio - cultural environment: These factors are to be considered while formulating business strategies. The business should be adopted a business strategy, which should be suitable for socio cultural environment. Then only the business will be successful.

- Natural environment: it is study of the important components of nature. It consists of geographical and ecological factors such as climate conditions.

Labour environment : It is the important factors which effects the growth of business . Majority of t industrial concerns looks the existing labour environment at the time of establishing a business organisation or industry

14.Explain Quality circles. Discuss features, objectives & its process?

<u>Quality circle</u>

Quality circle whereat their most popular during the 1980s,but continue to exist in the form of Kaizen groups and similar worker participation schemes it's originated in Japan in 1962. It was created by Kaoru Ishikawa. The Japanese Union of Scientists and Engineers (JUSE) coordinated the moment in Japan.

A quality circle is a group of workers who do the same or similar work. They meet regularly to identify analysis and solve work-related problem. Leading to improve total performance. It's range is 10 members.

<u>Definition</u>

According to Dr.Ishikawa "Quality circle is a small group of performs capital quality control activities within the same workshop. This small group carries on continuously as a part of companywide quality control activities self development and mutual development and improvement within the workshop, utilizing quality control techniques with all member participating".

<u>Objective of Quality circle</u>

- To identifying problem
- To increase quality
- To improve communication
- Development good relationship
- Effective team work
- Job involvement
- Promote leadership development

<u>Features of Quality circle</u>

- Small group of employees
- Same work area
- Voluntary

- Meet regularly
- Deals work related problems
- Total performance
- Enrichment of work life
- Small group of employees: Quality circle is a small group of employee of 8 to 10. A circle with less than 5 members would lose its vitality due to high rate of absenteeism. This may cause a circle to become inactive. On the other hand, more than 15 members in a circle could result in denial of opportunity for active participation by everyone.
- Same work area: Quality circle is organized in the same work area or doing similar type of work. A quality circle is a homogeneous group not an inter - department or inter- disciplinary one.
- Voluntary : Employees decide to join quality circle on their own willingness. There should be no compulsion, coercion or pressure on any employee to join or not to join quality circles. This is based on voluntarism principle.
- Meet regularly : Quality circle meets for about an hour every week. The regularity of such meeting is very significant and it must be adhered to.
- Deals work related problems: it's identify, analysis and resolve work related problems.
- Total performance: Quality circle leads to total performance.

Enrichment of work life: Quality circle enriches work life.

<u>Process of Quality circle</u>

1. Problem identification
2. Problem selection
3. Problem analysing
4. Recommendation to top management

1. Problem identification : In quality circle problem solving is used as a main process to achieve its objective. Members creativity is tapped to solve their day to day work related problems and identify a number of problems.
2. Problem selection : Decide the priority and select the problem to be taken up first.
3. Problem analysing: problem is clarified and analysed by basic problem solving method.
4. Recommended to top management: Identify and evaluate causes and generate number of possible alternative solutions.

15.What are the major problem faced by trade union in India?

The globalization process, since 1991, has adversely affected labour. There has been jobless growth for many years. The employer is resisting the formation of Union and taking a tough posture in collective bargaining. Unions are, therefore, up in arms against the inaction of the government and unfair practices of the management.

Major problems of trade union in India

India has been the largest number of trade unions. But they have developed very slowly. so there are some major problems faced in trade union. There are :

1. Small size: The trade union movement in India is plagued by the predominance of small sized union. Smallness in size of the union implies, among other things, weakness in bargaining power.
2. Poor finance : small size of Unions has its direct bearing on its financial health. It is the small size of trade unions accompanied by small subscription, the trade unions cannot undertaken welfare activities.
3. Politicisation : A serious defect of the trade union movement in india is that the leadership has been provided by outsiders especially professional politicians.
4. Multiplicity of Unions : Trade uniononisam in India is also characterized by multiplicity of Unions based on craft, creed, and religion. Multiplicity of Unions contributes to disintegrate of workers leading to small-sized Unions.
5. Lack of progressive labour force: it force competent of Manning and conducting the movement efficiently, purposefully and effectively has been a major problem in the development of trade unions in the country. eg.education, division by rice, religion..
6. Limited membership: Trade unions in India are confined to urban areas and their total membership from a small percentage of the total workers.
7. Illiteracy: India labour is illiterate and fails to understand the trade unionism.
8. Lack of unity : Indian labour is not only illiterate, and financially backward but also divided on the basis of their caste, creed and religion which prevent them to unite. Individual difference increase and foiled the movement.
9. Lack of recognition : Most management is not prepared to recognize trade unions.
10. Indifferent attitude of the members: union leaders alone cannot be blamed for the weakness of the trade union movement.

11. <u>Miscellaneous problems:</u> the other problems form which trade union movement has suffered include:

I. It is also founded that about 90% of workers in the public sector are unionised while in case of the private sector only 30% workers are unionised. This is a world-wide trend, not only featuring in India.

II. Given the fast changing industrial scenario, jobs are moving from the organized formal sector to informal sector. The unorganised sector which constitutes about 90%of the total work force does not come under the purview of the trade unions.