

B.COM (ACCOUNTING AND FINANCE)

FIRST YEAR: FIRST SEMESTER

**FUNDAMENTALS OF ENVIRONMENTAL
MANAGEMENT
(FOUNDATION COURSE I)**

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Syllabus

- (1) Fundamentals of Business: 8 Lectures**
- (a) Concept: Business, Profession And Employment
 - (b) Comparison Of Business, Profession And Employment
 - (c) Business Risks- Features And Causes
 - (d) Basic Factors Of Starting A Business
- (2) Business and Society: 6 Lectures**
- (a) Ecology And Business:**
- (i) Meaning Of Environment
 - (ii) Ecology And Ecology Balance
 - (iii) Relationship Between Ecology And Business
 - (iv) Protection Of Environment And Need For Pollution Control
 - (v) Environment Audit
- (B) Social Responsibilities of Business:**
- (i) Concept Of Social Responsibilities
 - (ii) Case For And Against Social Responsibility
- (C) Business Ethics:**
- (i) Concept And Need
 - (ii) Principles Of Business Ethics
- (3) Business and Basic Commercial Information: 10 Lectures**
- (a) Introduction To Commerce
 - (b) Classification Of Business Activities
 - (c) Managerial Response To Change In Business Environment –MIS, Forecasting, Experts, Innovation, Path Of Least Resistance, Acquisition, Merger, Joint Venture, Etc
 - (d) **Commercial Terms:** Services, Outstanding, E-Commerce, M-Commerce, Infrastructure, Bank Assurance, Liberalization, Privatization, Globalization and Profit.
- (4) Business and Basic Accounting Information: 10 Lectures**
- (a) Meaning And Objectives Of Accounting
 - (b) Accounting As A Source Of Information
 - (c) Internal And External Users Of Accounting Information And Their Needs
 - (d) **Basic Accounting Terms** – Assets, Liability, Capital, Expenses, Income, Expenditure, Revenue, Debtors, Creditors, Goods, Stock, Voucher, Transaction, Drawings

(5) Basic Economic Challenges: 10 Lectures

- (a) Poverty – Absolute And Relative, Main Programmes For Poverty Alleviation
- (b) Rural Development Key Issues , Credit And Marketing Cooperatives, Alternatives To Farming, Organic Farming
- (c) Employment—Problems And Policies
- (d) Infrastructure—Meaning, Types And Problems, A Critical Assessment Of Infrastructure Development

(6) Organization and Management: 6 Lectures

- (a) Organization—Meaning And Features
- (b) Management -- Meaning And Features
- (c) Difference Between Organization And Management

Question Paper Pattern**Marks 60****Duration 2 Hours****Q1.** Compulsory question – subjective (15 marks)**Q2.** Compulsory question – objective (15 marks)

True Or False, Match The Following, Multiple Choice Questions.

Q3. Compulsory question with internal choice within the question (15 marks)**Q4.** Compulsory question with internal choice within the question (15 marks)**(Note:** questions may be sub-divided into (a) and (b), if necessary, for 8 and 7 marks questions)

INDEX

No.	Chapter	Pages
1.	Fundamentals of Business I	5-18
2.	Fundamentals of Business II	19-25
3.	Business and Society I	26-41
4.	Business and Society II	42-48
5.	Business and Society III	49-53
6.	Basic Commercial Information	54-66
7.	Basic Accounting Information	67-76
8.	Basic Economic challenges I	77-84
9.	Basic Economic challenges II	85-98
10.	Basic Economic challenges III	99-119
11.	Basic Economic challenges IV	120-126
12.	Organization and Management	127-134

CHAPTER 1

FUNDAMENTALS OF BUSINESS I

- INTRODUCTION
- CONCEPT AND DEFINITION OF BUSINESS
- MEANING AND CHARACTERISTICS OF BUSINESS UNDERTAKING
- CONCEPT AND DEFINITION OF PROFESSION
- CHARACTERISTICS OF PROFESSION
- CONCEPT OF EMPLOYMENT
- TYPES OF EMPLOYMENT
- CHARACTERISTICS OF EMPLOYMENT
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

(A) BUSINESS, PROFESSION AND EMPLOYMENT

INTRODUCTION:

The world is full of human beings and hence it is full of wants and needs. Human activities always aim at fulfilling these wants by earning a livelihood. Thus, all the economic activities undertaken by man to earn a living are called Human occupations.

To earn their living, human enter into a variety of occupations related to the production of goods and services, which would satisfy their needs and wants.

Thus, Human occupations can be broadly classified into three:

- Business
- Profession
- Employment

CONCEPT OF BUSINESS:

An organization or economic system where goods and services are exchanged for one another or for money. Every business requires some form of investment and enough customers to whom its output can be sold on a consistent basis in order to make a profit. Businesses can be privately owned, not-for-profit or state-owned.

Business is an organization that produces or sells goods or services to gain profit. Business produces most goods and services consumed by people and employ many people.

A business (also known as enterprise or firm) is an organization engaged in the trade of goods, services, or both to consumers. A business owned by multiple individuals may be referred to as a company, although that term also has a more precise meaning.

The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work.

Businesses include everything from a small owner-operated company such as a family restaurant, to a multinational conglomerate such as General Electric.

To "do business" with another company, a business must engage in some kind of transaction or exchange of value with that company.

In this sense, the word "business" can be used to refer to a specific industry or activity, such as the "real estate business" or the "advertising business".

Definitions of business:

1. "Business may be defined as human activity directed towards producing or acquiring wealth through buying or selling goods" – **L.H. Haney**
2. "Business is an institution organized and operated to provide goods and services to society under the incentive of private gain" – **Wheeler B.O.**
3. "The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants." – **Stephenson**
4. "Business refers to a form of activity conducted with an objective of earning profits for the benefit of those on whose behalf the activity is conducted." – **Dicksee**
5. "Human activity directed towards producing or acquiring wealth through buying and selling of goods." --**Lewis Henry**

FEATURES OF BUSINESS:

1. All business activities are related to **exchange of goods and services**. The main reason why business exists is to provide goods and services to people to satisfy their wants and needs in exchange for money or money's worth.

2. Business is an **economic activity**, which is related with continuous and regular production and distribution of goods and services for satisfying human wants.
3. In business, the exchange of goods and services is a regular feature. A **businessman regularly deals** in a number of transactions and not just one or two transactions.
4. The business is carried on with the **intention of earning a profit**. The profit is a reward for the services of a businessman.
5. Anyone cannot run a business. To be a good businessman, one **needs to have good business qualities and skills**. A businessman needs experience and skill to run a business.
6. Business is subject to **risks and uncertainties**. Some risks, such as risks of loss due to fire and theft can be insured. There are also uncertainties, such as loss due to change in demand or fall in price cannot be insured and must be borne by the businessman.
7. Every business transaction has **minimum two parties that is a buyer and a seller**. Business is nothing but a contract or an agreement between buyer and seller.
8. In business there has to be **dealings in goods and service**.

Goods may be divided into following two categories:-

- **Consumer goods:** Goods which are used by final consumer for consumption are called consumer goods e.g. T.V., Soaps, etc.
 - **Producer goods:** Goods used by producer for further production are called producers goods e.g. Machinery, equipments, etc. Services are intangible but can be exchanged for value like providing transport, warehousing and insurance services, etc.
9. Modern business is service oriented. Modern businessmen are **conscious of their social responsibility**. Today's business is service-oriented rather than profit-oriented.
 10. Any business has to operate in the ever changing economic, social, political, legal, technological, etc environment. It has to adapt itself to change to sustain. Hence a business must be **creative and dynamic in nature**. It should constantly upgrade itself to the changing business environment.

MEANING OF BUSINESS UNDERTAKING.

A business undertaking is an institutional arrangement to conduct any type of business activity. The undertaking maybe run by one person or association of persons. It may be

based on formal or informal agreement among persons who undertake to run the concern. According to Wheeler, a business undertaking is "a concern, company or enterprise which buys and sells, is owned by one person or a group of persons and is managed under a specific set of operating policies." The persons join together and pool their resources and conduct the activities of the undertaking for the benefit of all.

CHARACTERISTICS OF A BUSINESS UNDERTAKING

A business undertaking (also called business enterprises, business concern or business firm) has the following characteristics:

I. Separate Entity:

A business undertaking has a separate entity. Every undertaking has its own working and conducts its own business. It has its own assets and liabilities. The debts owned by one undertaking cannot be recovered from any other undertaking.

II. Separate Ownership:

An undertaking is owned by the persons who contribute towards its capital. There is a direct link between capital contribution and ownership. If capital is contributed by a private individual. It will be a private undertaking. If the capital is contributed by the government or by the institutions owned by the government then it will be a public undertaking.

III. Separate Management:

Every undertaking has its separate management. It does not mean that same persons cannot be on the management of other concerns. In India same persons may be on the Board of Directors of a number of companies. Separate management implies independent decision-making. Every management decides about the utilization of its resources, type of products to be produced, volume of output, marketing channels etc. The levels of management will be decided on the basis of the scale of operations.

IV. Independent Risk Bearing:

Every business involves many risks. Some risks can be insured but others will have to be borne by the owners. An undertaking may earn profits but it may incur losses too. All types of losses or risks have to be borne by the owners of the undertaking and none else.

V. Exchange of Goods and Services:

A business undertaking deals in exchange of goods and services. The goods to be exchanged may either be produced or procured from other sources. The exchange is generally for money or money's worth.

VI. Dealing in Goods and Services:

All business undertakings deal in goods and services. The goods may be consumers' goods or producers' goods. The consumers' goods are those which are purchased by them for consumption or day-to-day use. These goods include food products, clothes, tooth paste soap, etc. The producers' goods are those which are meant for further use in production. These goods may be machines, plants tools, equipments etc. The services, on the other hand, may be water supply, electricity supply, transport facilities etc.

VII. Profit Motive:

All business undertakings are run to earn profits. An undertaking started for social service will not be called business undertaking because the aim is not to earn profit. The incentive of earning profit keeps the undertaking going. The aim is to get back more than what has been invested.

VIII. Continuity of Transactions:

The transactions in business undertakings are continuous or regular. They are engaged in a series of successive transactions over time and space.

IX. Risk and Uncertainly:

Every business undertaking is exposed to risks and uncertainties. Business is influenced by future events and future is always uncertain. There are chances of price fluctuations, demand changes, consumer likings and disliking, etc. There may be fire, earthquake, strike by workers etc. All, these factors make a business undertaking risky and uncertain.

X. Social Responsibility:

The only aim of business undertakings is not to increase profits. They own some responsibility to the society also. The society expects business undertakings to provide cheap and better quality goods to consumers. They are also expected to contribute towards social amenities by opening schools, hospitals, parks, etc. not only for the employees but also for people living in those localities. Business undertakings should also avoid water and air pollution by their wastes.

CONCEPT OF PROFESSION:

There is considerable agreement about defining the characteristic features of a profession. They have a "professional association, cognitive base, institutionalized training, licensing, work autonomy, colleague control... (and) code of ethics, to which Larson then also adds, "high standards of professional and intellectual excellence," that "professions are occupations with special power and prestige," and that they comprise "an exclusive elite group," (Larson, p. 20) in all societies. Members of a profession have also been defined as "workers whose qualities of detachment, autonomy, and group allegiance are more extensive than those found among other groups...their attributes include a high degree of systematic knowledge; strong

community orientation and loyalty; self-regulation; and a system of rewards defined and administered by the community of workers.

A **profession** is a vocation founded upon specialized educational training, the purpose of which is to supply objective counsel and service to others, for a direct and definite compensation, wholly apart from expectation of other business gain.

With the rise of technology and occupational specialization in the 19th century, other bodies began to claim professional status.

Professions include:

Accountants

Actuaries

Advocates

Diplomats

Doctors

Economists

Engineers

Financial analysts

Information and Communications Technology Professionals

Journalists

Lawyers

Occupational therapists

Pilots

Professor

Psychologists

Scientists

Social workers

Statisticians

Surgeons

DEFINITIONS OF PROFESSION:

Occupation, practice, or vocation requiring mastery of a complex set of knowledge and skills through formal education and/or practical experience. Every organized profession (accounting, law, medicine, etc.) is governed by its respective professional body.

“A disciplined group of individuals who adhere to high ethical standards and uphold themselves to, and are accepted by, the public as possessing special knowledge and skills in a widely recognized, organized body of learning derived from education and training at a high level, and who are prepared to exercise this knowledge and these skills in the interest of others.

Inherent in this definition is the concept that the responsibility for the welfare, health and safety of the community shall take precedence over other considerations.” --The Australian Council of Professions

CHARACTERISTICS OF PROFESSION:

Each profession is concerned with an **identified area** of need or function

1. The profession collectively, and the professional individually, possesses a **body of knowledge and a repertoire of behaviors and skills** (professional culture) needed in the practice of the profession; such knowledge, behavior, and skills normally are not possessed by the nonprofessional.
2. Members of the profession are **involved in decision making in the service of the client**. These decisions are made in accordance with the most valid knowledge available, against a background of principles and theories, and within the context of possible impact on other related conditions or decisions.
3. The profession is based on **code of conduct** from which it builds its own applied knowledge and skills.
4. The profession is **organized into one or more professional associations**, which, within broad limits of social accountability, are granted autonomy in control of the actual work of the profession and the conditions that surround it. Professionals are usually the members of such associations.
5. There is a **high level of public trust and confidence in the profession and in individual practitioners**, based upon the profession's demonstrated capacity to provide service markedly beyond that which would otherwise be available.

6. Individual practitioners are characterized by a **strong service motivation and lifetime commitment** to competence.
7. A professional **charges fees** for the services rendered by him.

CONCEPT OF EMPLOYMENT:

Employment is a contract between two parties, one being the employer and the other being the employee. An employee contributes labor and expertise to an endeavor of an employer and is usually hired to perform specific duties which are packaged into a job. In most modern economies, the term "employee" refers to a specific defined relationship between an individual and a corporation, which differs from those of customer or client. Employment is the act of employing or the state of being employed in which one is engaged ;(occupation or an activity to which one devotes time.)

There can be various types of employees:

- Full- time Employees
- Part-time Employees
- Temporary employees

TYPES OF EMPLOYMENT

- **Full-time permanent work** is regular and ongoing work of between 35 to 45 hours (full-time employees are paid a weekly wage and yearly salary) which includes non-wage entitlements and benefits like paid holiday leave, sick leave and long-service leave. Over the past decade, there has been a significant decline in full-time work in Australia from 89% to approximately two-thirds of the workforce.
- **Part-time permanent work** is regular and ongoing, involves fewer hours than full-time work and usually set days or set hours. Non-wage benefits and entitlements (sick leave, annual leave and holiday pay) are received by part-time employees on a pro-rata (proportional) basis. Sick leave is based on the hours worked over two weeks and annual leave on hours worked over four weeks. Awards and agreements (legal documents specifying minimum pay and conditions) may specify the hours of part-time work. Many people enjoy the flexibility of part-time work, especially if they have other jobs or responsibilities (like parenting or study). There has been an increase in job sharing, which is when two people agree to divide a full-time job into two part-time jobs.
- **Casual work** is ongoing and involves irregular hours and hourly pay. Casual workers often work on an 'as needs' basis, meaning you work when you are required; if you don't work you don't get paid. There are no non-wage entitlements in casual work (no holiday pay, sick leave and annual leave), as those entitlements are factored into 20

per cent of the higher hourly rate that casuals receive. Casuals usually receive hourly rates of pay based on a minimum 15% loading of normal or applicable hourly rates of pay. This is to compensate casuals for the unpredictability of their work and their lack of non-wage entitlements. Many employees enjoy the flexibility of casual work, perhaps if it allows them to have other casual jobs. Some people find it hard to find work that is not casual, making saving difficult. Casual work can end at any time; so many people regard this type of work as having little job security. Employers must specify at beginning of your employment that you will have casual status. This is so both parties (employers and employees) understand that non-wage entitlements will not be provided.

- **Self-employed** workers are also known as independent contractors or sub-contractors. These people work for themselves, so they control the hours and amount of work they do. Many trades' people, for example, are self-employed or are sub-contracted by businesses like real estate agents. There are certain taxation benefits for self-employed workers to compensate for the risks of not finding work. Self-employed workers are reliant on the availability of work in their particular field.
- **Fixed term employment** (also known as contract work) is used for single projects or to replace workers on leave. It is common for fixed term employees to not receive entitlements like paid sick leave.
- **Commission-based employment** is pay based on reaching sales targets. A commission is usually a percentage rate of pay per item sold. A 'commission and retainer' employment includes a base pay rate plus commissions, which work like bonuses.
- **Apprenticeships and traineeships** are fixed term employments (usually three to five years) for the purpose of employment training. Apprentices typically learn a trade, such as plumbing, and trainees typically learn non-trades occupations, such as secretarial work. Apprentices and trainees usually perform work duties on-site and learn about the job off-site as well. A specified base rate of pay is given to cover the employment period, which works like a study-based payment.
- **Probationary employment** is a standard requirement for employees commencing full-time or part-time work. It involves an initial period of employment, usually one to six months, where employers assess whether an employee is capable of fulfilling the requirements of a job. If this is the case, employment is usually then confirmed permanent part-time or permanent full-time.
- **Piece work** is employment where a person receives payment for a certain number of items, for example five boxes of fruit for a fruit picker or a measured amount of a commodity, for example one tonne of sand.
- **Voluntary work** is unpaid work. Many charities (non-profit organizations) rely on voluntary workers, because their main purpose is to provide free services to the community, for example Meals on Wheels for the aged population. People work voluntarily for a number of reasons including to use free time productively, to develop skills, to help the community or to contribute to fundraising.
- Many large non-government organizations (NGOs) use volunteers for fundraising and to promote global issues such as humanitarian and environmental causes. Voluntary workers generally feel a great sense of purpose in volunteering for a good cause. The situation can arise however, where voluntary workers are exploited and undervalued. Recent research suggests that new voluntary employment conditions need to be developed to stop the exploitation of volunteers.

An individual who works part or full-time under a contract of employment, whether oral or written, express or implied, and has recognized rights and duties is known as employee.

CHARACTERISTICS OF EMPLOYMENT:

1. A contract of employment is an **agreement entered into between an employer and an employee** at the time the employee is hired that outlines the exact nature of their business relationship, specifically what compensation the employee will receive in exchange for specific work performed.
2. The employee performs work in **return for pay or other remuneration**. Any kind of recompense that has economic value counts as remuneration. Remuneration can be on a daily or monthly basis.
3. Employment is an occupation which generates **regular flow of income** for the person earning his living.
4. The agreement may be **written or oral**.
5. It involves **limited risk**, unlike business. After the probation period is completed by the employee, he usually becomes permanent, therefore, **security of job**.
6. Most of the **people do not have the investment to start a business or the ability to gain professional knowledge**. Such people wholly depend on employment for their livelihood.

(B) COMPARISON OF BUSINESS PROFESSION AND EMPLOYMENT

The main points of distinction between Business, profession and Employment are given below:

1. Mode of establishment:

A business enterprise is established when an entrepreneur takes a decision to carry on some business activity. In a profession, on the other hand, the membership or enrollment of a recognized professional association or institution is essential. In order to take up employment, a person has to enter into a contract of service.

2. Nature of work:

A business exists to provide goods and services to satisfy human wants. On the other hand, a professional renders personalized service of a specialized nature to his clients. An employee performs the work assigned by the employer under the contract of service.

3. Qualifications:

No formal education is compulsory in order to carry on a business. But for a profession, specialized knowledge and training are essential. Minimum educational qualifications are prescribed for every profession. In case of employment, the qualifications required depend upon the nature of the job.

4. Main objective:

In business, the basic motive is to earn profits. A professional, on the other hand, is expected to emphasize the service motive and sense of mission.

That is why; a rigorous code of ethical behaviour is laid down in every profession. In case of service, the motive of an employee is to earn salary and receive other benefits.

5. Investment:

Every business requires capital depending upon the nature and scale of operations. A professional also has to invest some capital to establish an office for rendering services. There is no need for capital in case of employment.

6. Risk:

There is an inherent element of risk in business and profession but practically no risk is involved in case of employment. There can be loss in business but in profession and employment return is never negative.

7. Reward:

Profit is the reward of a businessman while professional fee is the reward of a professional. The reward in case of employment is wage or salary. Wage/salary and fee are more regular and fixed than profits.

8. Transfer of interest:

It is possible to transfer ownership interest in business. But no such transfer is possible in case of profession and employment.

9. Public advertisement:

The success of a business depends upon public advertisements. But professionals are prohibited from giving public advertisements. There is no need for public advertisements in case of service.

In spite of the above differences, there is a close interrelation between business, profession and service. A large business enterprise employs a large number of persons in order to achieve its objectives.

It also requires the services of professional experts such as chartered accountants, lawyers, architects, cost accountants, etc. Modern business has become very complex.

Trained and experienced managers and other experts are required for efficient business operations. Professionals and other employees provide the necessary manpower for efficient running of business concerns. Thus, business, profession and employment are complementary to one another.

SUMMARY:

BUSINESS	PROFESSION	EMPLOYMENT
A business includes production or marketing of goods and services	A profession is where an individual provides personalized service to clients	Employment is where one person works as per the desire of other (employer)
There are no minimum qualifications to be a businessman, the person should be innovative and dynamic with the ability to make decisions	To be a professional minimum qualifications and training are compulsory	Qualification as per the nature of job and as per the expectations of the employer are necessary
Transfer of ownership is possible	Transfer is not possible as specific skills and qualifications are required	Transfer of ownership is possible
Business main aim is to maximize profits	Profession main aim is to provide service	Employment is guided by the rules of service
To start a business legal permission from state or central government is required	To start a profession Permission from the concerned professional body is required	To be an employee no permission is required to work for the employer
The risk of loss and uncertainties has to be borne by the business man	The risk as regards to a regular source of income exists	No risk in the case of regular employment exists
Huge investment is required to start a business	Limited capital investment is required as a profession	No investment is required to join the company as an employee

QUESTIONS:

(1). State whether the following statements are true or false:

- a) Members of the employment are involved in decision making in the service of the client.
- b) Employment is a contract between two parties, one being the employer and the other being the employee

- c) The profession is based on code of conduct from which it builds its own applied knowledge and skills.
- d) Business is an organization that produces or sells goods with the objective of providing service.
- e) A business undertaking is an institutional arrangement to conduct any type of business activity

Answers: (a) false (b) true (c) true (d) false (e) true

(2). Fill in the blanks with correct answers from the options.

- a) _____employment is used for single projects or to replace workers on leave (part term, Fixed term, casual term)
- b) People who do not have the investment to start a business or the ability to gain professional knowledge wholly depend on _____ for their livelihood.(business, profession, employment)
- c) A_____ is a vocation founded upon specialized educational training (profession, business, employment)
- d) A business owned by multiple individuals may be referred to as a _____(sole proprietorship, HUF, Company)
- e) Every business transaction has minimum two parties that is _____(buyer and seller, creditor and lender, owner and buyer)

Answers: (a) fixed term, (b) employment (c) profession (d) company (e) buyer and seller

(3). Match the following:

COLUMN A	COLUMN B
a) Employment	1) Economic activity
b) Professional income	2) Unpaid work
c) Journalist , doctor	3) Contract between employer and employee
d) Business	4) Fee

e) voluntary work	5) Professionals
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Answers: (a – 3) (b – 4) (c – 5) (d – 1) (e – 2)

(4). Essay-Type questions:

- a) Define business. Explain its characteristics/features.
- b) What is profession? Explain the features / characteristics of business.
- c) What is employment? Explain the features / characteristics of employment.
- d) Explain the concept of employment. What are the types of employment?
- e) Explain business in detail
- f) Give the relationship between business, employment and profession.

g) Short notes:

- a) Business
- b) Profession
- c) Employment
- d) Types of employment
- e) Features of business

CHAPTER 2

FUNDAMENTALS OF BUSINESS II

- MEANING OF BUSINESS RISKS
- TYPES OF BUSINESS RISKS
- STEPS IN STRATING A NEW BUSINESS
- BASIC FACTORS OF STARTING A BUSINESS
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

(A) BUSINESS RISKS

MEANING OF BUSINESS RISKS.

The possibility of some unfavorable occurrence is termed as business risks. It denotes the chances of loss. A major feature of risk is that it also involves uncertainties. A businessman has to face many types of risks. There can be many causes of business risks like:

- Human causes (eg: accounting mistake)
- Physical causes (eg: breakdown of machinery),
- Natural causes (eg: earthquakes, famines) ,
- Economic causes (eg: fluctuations in market demand and supply), etc.

Some business risks can be insured, they are known as insurable risks and the risks which cannot be insured are known as non-insurable risks.

There are two types of business risks like internal risks and external risks.

INTERNAL RISKS

The risks which are caused by the circumstances inside the factory are called internal risks. They arise due to mishandling of a situation. The various types of internal risks are:

I. Loss by fire etc:

There may be fire accident in the business and property is destroyed due to it. Sometimes the products traded or produced are fire prone and lack of precautions may cause an accident. This generally happens in coal mines, oil refineries, cooking gas centers etc. On the other hand, there may be a fire due to negligence on the part of employees or failure of equipment may also cause it. In all these cases the property is destroyed.

II. Business Environment:

The environment in business may be such that there is a possibility of loss because the things are not properly managed. Lack of effective control on cash transactions may cause misappropriation of cash or lack of stock control system may encourage theft of goods, etc.

III. Liability of the Business:

The business may be held responsible for the loss caused to employees or public by the business. There may be an accident on a machine and a worker may be injured. The business will have to pay compensation to the worker. Similarly, a loss caused to the public by way of pollution or wastes of the concern may bring a liability to the business.

IV. Mismanagement of Business:

Risk may arise due to mismanagement of business. There may not be proper control over labour or production, resulting in increased costs. Lack of demand for products may compel the business to slash down prices causing loss. There may be a lack of planning inadequate capital, lack of co-ordination among different departments, inefficient management. All or any of these factors bring risks to the business.

EXTERNAL RISKS

There may be factors outside the business which may bring risks. These factors or causes are generally beyond the control of the management.

I. Natural Calamities:

There may be natural calamities like earthquake, storm, floods etc. These causes cannot be precisely predicted and a business is always exposed to such risks.

II. Competition:

A business may suffer due to competition from other business undertakings. Some concerns might have introduced better methods of production and are able to reduce costs of production. The business will suffer if prices are reduced due to competition and in case the prices are kept the same, then goods will not be sold in the market because the customer will prefer to buy cheap goods.

III. Price Fluctuations:

The price fluctuations may adversely affect cost of materials, cost of materials, costs of other inputs, budget forecasts etc. Price fluctuations are generally influenced by the factors which are not in the hand of the businessman but he has to bear the risks arising out of such causes.

IV. Change in Demand:

There may be a change in demand for the products. Consumer tastes may change, new fashions may come in, likings or disliking for certain goods may cause a change in demand. A sudden change in demand may create a problem for disposing of the stocks. New methods of productions may be required to cope with the changing situation. This will cause unnecessary financial burden on the business.

V. Government Policy:

Risks may arise due to change in government policies. The rates of taxes may be increased, changes in imports and exports regulations may cause additional burden, some restrictions may be imposed on stocking of certain items, the production of certain goods may be taken by the government itself etc. The changes in policies may not only cause losses but may compel the business, in certain cases, to close down its production. So the causes mentioned above create uncertainties and bring risks to the business.

(B) BASIC FACTORS OF STARTING A BUSINESS

The person who discovers a business opportunity and completes the process of starting up a business is called a promoter. The promoter can also be called the entrepreneur.

There are various steps in starting a new business:

1. Discovering the business opportunity and visualizing the various areas related to it.
2. Taking the decision about the size and location of the enterprise
3. Arranging for all the necessary assets like plant and machinery, land and building, transport vehicles.
4. Selecting the form of enterprise i.e. whether he alone would bring in the whole capital, or through partnership or through share holders.
5. Taking the decisions related to financing.i.e. combination of debt and equity
6. Developing the infrastructure, making arrangement of proper roads, electricity, water supply, etc
7. Completing all the legal and regulatory formalities
8. The promoter can also check regarding the tax subsidies he can avail
9. Arranging for man power
10. Launching the enterprise.

BASIC FACTORS TO START A BUSINESS

1. **Business Platforms and Structure:**

The foundations of a business are the key to the eventual success, it is essential that you solidify these before launching your company. These can and probably will change over time to adapt to your market place; however it is easier to cope if you start off with a strong base. Decide on the form your business will take; sole trader, partnership, limited company etc. Also, decide on the key roles and job descriptions within the business and who will do them. Once you launch your business these are the tasks that your business will rely on.

2. **Finances:**

You must have a good grasp of your future finances. This isn't an area you need to be scared of, but it does need real attention. You must have a thorough understanding of your cost base and where your break-even point lies. Without this, how will you know when you are making a profit? Too many businesses price their service by comparing similar product/service prices and then pricing themselves somewhere in the middle. Will this make you enough to profit? You also need to be doing cash flow projections for at least 3 months ahead and keeping good financial records. An understanding of profit and loss statements and how to read a balance sheet will also help.

3. **Planning and Growth:**

Did you know that only one in six businesses succeed? Much of their failure is down to lack of planning, adequate funding and proper advice. A business plan is little more than a statement of your business goals, a list of your beliefs and assumptions as to why you think you can attain these goals and an action plan on the steps needed to attain them. The amount of detail you include will depend on the purpose of your plan. If it is to obtain funding then clearly it will need to be far more detailed than if it is purely for you. A good business plan is a working document that evolves with your business and can be your passport to profit! Many business owners feel that they grow too quickly and lose control of their business. It is essential that your business plan includes the steps you will take to achieve and manage your growth. The right structure and systems will ensure that you always feel in control of your business and able to cope with the demands it makes on you.

4. **Launching:**

Have you planned your launch in detail? There are lots of inexpensive ways to get yourself noticed when you launch a business. It's a good news story that everyone needs to hear about, so make the most of this period. The bigger the splash you make when entering the market, the faster your business will grow.

5. **Staying on Track:**

One of the basic errors that business owners make is not spending enough time working ON their business. Too many people spend their time working in their business without looking up to see which direction it is heading. If you don't take time to steer your ship, it will crash. You need to put aside time on a weekly basis to reflect on the business and go over each area weighing up what aspects need attention.

6. **Marketing:**

Marketing is the term for any time your business interacts with a potential client. Every conversation, piece of literature or press release is marketing. There are numerous ways to market your business and they don't have to be expensive. The key to any marketing campaign is to make sure that everything you do is tested and measured. How do you know where your leads come from? Without good information, how can you make informed decisions?

7. **Staff:**

This is one of the biggest investments you will need to make. If you have enthusiastic staff, it is conveyed to your customers who are then happier with your service. Finding and retaining quality people is one the most challenging aspects of running a business. However it is crucial to your success. If you don't have quality staff, how can you grow? There are always areas that you will be weaker in than others. The right people will augment your skill set providing a passport to profit. There is only so much that one person can achieve on their own.

8. **Legal:**

Unless you are in HR, then you will probably need help with shareholder or partnership agreements, employment legislation and possibly help concerning Intellectual Property rights. The right advice is essential.

9. **Exit:**

Planning your exit strategy may seem strange when you are starting a business, but it is an important part of your future. This doesn't only mean selling your business, but also includes your business providing a passive income or a pension for you. Succession planning is essential to ensure you receive full value for your effort.

Questions:

(1). State whether the following statements are true or false:

- a) The possibility of some unfavorable occurrence is termed as business risk.
- b) The risks which are caused by the circumstances inside the factory are called external risks.
- c) The foundations of a business are the key to the eventual success
- d) Price fluctuations are generally influenced by the factors which are in the hand of the businessman
- e) A loss caused to the public by way of pollution or wastes of the concern may bring a liability to the business.

Answers: (a) true (b) false (c) true (d) false (e) true

(2). Fill in the blanks with correct answers from the options.

- a) The person who discovers a business opportunity and completes the process of starting up a business is called a _____ (employee, owner, and promoter.)
- b) Factors or causes which are generally beyond the control of the management are _____ risks(internal, external, insurable)
- c) _____ cannot be precisely predicted and a business is always exposed to such risks.(Natural calamities, liabilities, profits)
- d) _____ cause include breakdown of machinery. (human, Physical, natural)
- e) Some business risks can be insured, they are known as _____ risks (insurable, non-insurable, uncertainty)

Answers: (a) promoter (b) external (c) Natural calamities (d) Physical (e) insurable

(3). Match the following:

COLUMN A	COLUMN B
f) Human cause	6) External risk
g) Earthquakes	7) Liability of business
h) Entrepreneur	8) Accounting mistake
i) Price fluctuations	9) Natural causes
j) Internal risks	10) Promoter, visualizer

Answers: (a – 3) (b – 4) (c – 5) (d – 1) (e – 2)

(4). Essay-Type questions:

- a) What is business risk? Explain the types of risk.
- b) Briefly explain Internal risks associated with business.
- c) Discuss the risks which are beyond the control of the management.
- d) What are steps to start a business enterprise?
- e) Discuss the basic factors which a businessman needs to consider before starting his organization.
- f) What are the important factors to start a business?
- g) **Short notes:**

- a) Business risk
- b) Internal risks

- c) External risks
- d) Factors to start a business

CHAPTER 3

BUSINESS AND SOCIETY - I

(A) ECOLOGY AND BUSINESS

- MEANING OF ENVIRONMENT
- MEANING OF ENVIRONMENT AUDIT
- ENVIRONMENT PROTECTION
- MAJOR ENVIRONMENTAL PROTECTION MOVEMENTS IN INDIA
- NEED FOR POLLUTION CONTROL
- POLLUTION CONTROL MEASURES
- MEANING OF ECOLOGY
- DIVISIONS OF ECOLOGY
- IMPORTANCE OF ECOLOGY
- ECOLOGY BALANCE
- RELATION BETWEEN BUSINESS AND ECOLOGY
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

ENVIRONMENT

Environment in general, means the sum total of all physical and social conditions that influence individuals or community. The environment, within which a business is to operate, is called the business environment. The environment may be both economic and non-economic. The business management must make full and deep study of the overall total environment which is affected by so many heterogeneous factors or variables. So far as the economic environment is concerned, it is affected by the total or overall economic system of the economy, i.e., whether capitalist or social system. Country's system of economic planning and control, such as Government's fiscal or monetary systems, commercial and industrial policies of the Government, commercial and industrial laws, of the country are all important elements of the economic environment. Every such element affects the functioning of the business.

So the whole economic system prevailing in the country acts as a major determinant of the economic environment. The economic system furthers, comprises the various sub-systems within which the business enterprise work. The economic system of a country may be capitalist, socialist or a mixed one. In a capitalist country a system of capital or free enterprise gets developed and the decisions regarding capital or free enterprise gets developed and the decisions regarding various matters involving production, distribution and even consumption are based on the free play of market forces of just demand and supply without much inference by the government. Even the various functions of business management are all governed by free play of market forces.

However, in a socialist economy, almost all business decisions are taken by the Government. So business system does not depend on private enterprise. Business is largely done by the public sector. Even the functional areas of business management are largely looked after by the government officials. But in modern times, even such government controlled economic

systems have given way to free forces of market in countries like China and Russia, what to say of our country. So free trade and liberalization are now almost world-wide phenomenon. Mixed economy is a combination of free capitalist and socialist or communist economy. In it the private enterprises co-exist with the public enterprises. Thus the features of both capitalism as well as socialism exist. The social responsibilities of a business even under private sector assume more importance than the other objectives of business.

ENVIRONMENT AUDIT

“A voluntary environmental auditing scheme co-ordinate by member states which requires participating companies to incorporate environmental protection standards into their production processes”

Or more precisely:

“A management tool comprising a systematic, documented, periodic and objective evaluation of how well a project, organisation or equipment is performing with the aim of helping to safeguard the environment. The audit should facilitate management control of environmental practices and assess compliance with policy objectives and regulatory requirements.”

Environmental Audit as a basic management tool is meant for evaluation of an organization. It helps the management of an industry to evaluate the effectiveness of environmental management. The Environmental and it aims at -

1. To assess the probable risks and obstacles associated with the malfunctioning of the pollution control equipment.
2. To assess the scope of the maximum utilization of the resources.
3. To establish performance baselines.
4. To set priorities and plans for the future environmental establishments.
5. To increase awareness of the employees about their role and responsibility in the protection of the environment.

The Environmental and it follows the three basic stages like. Pre audit, site visit, and post audit. The pre-audit is a planning of the audit programme. Site visits includes meetings with staff, inspection, examination of records, to identify the waste generation pollution control measures etc., the post audit activity involves a written assessment of the facilities states, and recommendation.

ENVIRONMENT PROTECTION AND NEED FOR POLLUTION CONTROL

India is a land of philosophy of nature and its conservation Gandhi preached, plain living, high thinking. Gandhi's model of economic growth is a kin to the sustainable growth which the present day environmentalists profess, where as our leaders, policy makers profess to western model of economic growth. Mrs. Indira Gandhi's speech on the 1970s conference on Human Environment was highly acclaimed. She established a National Committee for Environmental planning and cooperation. Soon after a series of enactment of environmental laws for Environmental protection-were passed in the parliament, the U.N. conference on the world wild life protection Act 1972 was enacted and Gandhi was a great environmental

activist of the world and for which she was awarded the prestigious International Union of Conservation of Nature Award.

"We do not inherit the environment from our fore fathers; we borrow it for future generations". In 1972 representatives of 113 world governments assembled in Stockholm to participate in UN conference on Human Environment. The Stockholm conference proclaimed that:

"The protection and improvement of human environment is a major issue which affects the well being of people and economic development throughout the world and it is the duty of all government and people to exert common effort for the preservation and improvement of human environment, for the benefit of all people and their posterity".

India was the first country to impose a constitutional obligation on the state and citizens to protect and improve the environment as one of the primary duties. Article 48A of the Indian Constitution provides. "The state shall endeavor to protect and improve the environment and to safeguard forests and wild life of the country".

Article 51A States:

"It shall be the duty of every citizen of India to protect and improve the natural environment including forests, lakes, rivers and wildlife and to have compassion for living creature's."

The constitution of India has provisions to make environmental legislations. The Central, State and the concurrent lists of subject on which Parliament and State legislatures are empowered to legislate span, noise control, lead improvement, irrigation, town planning, slum clearance, housing scheme, pest control, smoke control, water pollution, forests, wild life recreation etc. Consequently laws have been enacted on some of the subjects such as.

1. The Factories Act 1948
2. The Insecticides Act 1968.
3. The water (Prevention and Control of Pollution) Act 1974
4. The Air (Prevention and Control of Pollution) Act 1981
5. The forest (conservation) Act 1980
6. The Wild Life (Protection) Act 1986.
7. The Environment (Protection) Act 1986.

The Wild life (Protections) Act was formed 1972. The importance of wildlife resource has taken up steps by setting up an Indian Board of Wild life (1982), Creators of wildlife Parks and sanctuaries, enactment of an All India wildlife Protection Act (1982) becoming a party to the convention of International Trade in Endangered species of Fauna and Flora (CITES 1976), launching a national components of the UNESCO's Man and the biosphere Programme (1971) and by starting conservation protects for individual endangered species

like Hugely (1970), Lion (1972), Tiger (1973), Crocodiles (1974) and Brown-antlered Deer (1981). The wild life Act governs wildlife conservation and protection of endangered species.

The Environment Protection Act was passed by Parliament on 23 May 1986. The Act refers to the Stockholm conference in 1972 and is based on article 253 of the constitution.

Need to Disseminate Environmental Information for its Conservation

- (i) Among students through Educations
- (ii) Among General population through various media.
- (iii) Among functionaries and opinion leaders involved with Environmental management.
- (iv) Through NGOs

Environmental Organizations:

WCMC: World Conservation Monitoring Centre (Cambridge, UK)

WRI: World Resource Institute, Washington DC, USA

CI: Conservation International (Washington DC, USA)

Earth watches Watertown, USA

EDF: Environmental Defense Fund (New York, USA)

Greenpeace USA: Washington, DC, USA.

ICEL: International Council of Environmental Law (Bonn Germany)

IUCN: International Union for conservation of Natural and Natural Resources (Gland, Switzerland).

UNDP: United Nations Development Programme (New York, USA)

UNEP: United Nations Environment Programme (Nairobi, Kenya & Washington DC, USA)

WCI: Wildlife Conservation International (Bronx USA)

WWF: Worldwide Fund for Nature (Also known as world Wildlife Fund).

In recent years so many grass root environmental movements launched against the developmental activities that have threatened the ecological balance.

MAJOR ENVIRONMENTAL MOVEMENT IN INDIA:

Chipko Movement:

It was started by noted environment list Sunderlal Bahuguna in 1970 to safe guard the rich forest of western Himalaya Range. This movement was basically a people movement to resist the cutting of trees. There were frequent floods in the Alkanand River catchment area due to cutting trees for developmental world like the construction of roads, river dam project etc. The people of village Gopeswar formed and association called Dasholi Gram SarajaMandal in 1970 mainly to provide relief to flood affected people in that area. Then they diverted their attention to the importance of forest cover and under the leadership of Bahugun a made a movement to protect environment and ecology and the movement draws the attention of the Govt. and World Bank.

Silent Valley Movement:

An NGO of Kerala called Kerala SastraiyaSahityaParishad (KSSP) raised their voice to stop the silent valley Hydral Project in 1978. Silent valley is rich in tropical forest with enormous bio-reserve. The state Govt. of Kerala wanted a hydroelectric project for the power hungry state inside a deep tropical forest in silent valley. This tropical forest was the only remaining one in the country. The environmentalist objected to the project and field a case in High court, which they lost project was cancelled by the help of Mrs. Indira Gandhi.

Narmada Bachao Andolan:

In the state Madhya Pradesh. Gujarat, it was started to protest the construction of dam around thirty in numbers on the river Narmada to produce hydroelectricity and irrigation facility to the drought prone area of Kutch: Gujarat social activist Baba Amte and Environmentalist. Madha Patkar is the two leaders to fight against the Govt. and judiciary for the benefits of tribal of that affected region. Noted writer Arundhati Ray also joined the movement. It was estimated that two big dams construction on the river Narmada costs Rs. 30,923 cores and Rs. 8190 cores by way of environmental loss. Besides this the project will submerge about 130482 Hectors of which 55681 hectors are prime agricultural land arid 56066 hectors are forests. The two dams namely Sardar Sarovar Project and Narmada Sagar Project have enormous utilities to the people for supply of electricity and irrigation but the estimated environmental cost is too much to ignore according to the report by environment scientist.

Appiko Movement:

It was started in 1983 by the people of village Balegadde district Uttar Kannada of Karnataka state. This district is a part rich forest of Western Ghats. The people of this village protested the cutting of teak trees by Chipko way of embracing the trees. The activists spread the movement throughout the region by padayatras, meetings, folk dance etc. The movement mainly focused on to conserve to grow trees. This movement has played the most crucial role to preserve the environment and ecosystem of Western Ghats.

Need for Pollution Control

The word, 'pollution' means to make dirty. Pollution causes imbalance in the environment. Environmental pollution is a serious problem. Nearly 35 percent of India's total land area is subject to serious environmental pollution.

Industrialization has led to urbanization, which has added to the pollution problem. Air pollution is the most dangerous form of pollution. Land and water pollution have worsened the situation. Pollution causes several types of harmful disease. We must control pollution for our survival.

The word pollution 'pollution' has been derived from a Latin word, 'pollutionem,' which means to make dirty. Pollution is the process of making the environment. i.e. the land, water and air dirty by adding harmful substances to it. Pollution causes imbalance in the environment. This imbalance has threatened the very survival of life. It is a threat to the whole world.

Environmental pollution is a serious problem of the industrialized societies. The industrial development and the Green Revolution have adversely affected the environment. People have converted the life supporting systems of the entire living world into their own resources and have vastly disturbed the natural ecological balance. Serious degradation and depletion have been caused through overuse, misuse and mismanagement of resources to meet the human greed.

Environmental pollution is defined as the unfavorable alteration of our surroundings. It is by product of man's activities through direct or indirect efforts of changes. These changes could be in the physical, chemical and biological characteristics of land, air or water that harmfully affect human life or any desirable living thing. Human population explosion, rapid industrialization, deforestation, unplanned urbanization, scientific and technological advancement etc. are the major causes of environmental pollution. Nearly 35 percent of India's total land area is subjected to serious environmental pollution. Three fourths of the earth consists of water, yet there is a scarcity of potable water. In India, all the sources of water like rivers, lakes, ponds and wells have been polluted and are unfit for drinking. As a result of the increased use of fertilizers, the rivers, seas and oceans have become contaminated with harmful pollutants. It is estimated that more than 500 tons of mercury enters the ocean every year. Oil slicks, pollution caused by the flow of industrial waste, sewage and fertilizer have also threatened the aquatic life.

Industrialization has led to urbanization. The migration of rural population to the cities in search of work has created an unhealthy environment. It has led to overcrowding, establishment of slum areas. Towns and cities are full of smoke, fumes, dirt, dust, rubbish, gases, foul smell and noise. Air, water and land pollution have further worsened the very survival of human beings.

Air pollution is the most dangerous form of pollution. It results from gaseous emission from industry, thermal power stations, domestic combustion etc. Due to air pollution, the composition of air is changing all over the world. Most of the gases and air pollutants are produced by burning fuels. Burning of coal produces carbon dioxide, sulphur dioxide etc. which are responsible for acid rain. Chlorofluorocarbons are widely used as propellants and as refrigerants which cause ozone depletion.

Water pollution adversely changes the quality of water. It disturbs the balance of the ecosystem and causes health hazards. Water becomes polluted by the presence or addition of inorganic, organic or biological substances. Noise is also one of the major pollutants. The general noise level in the cities is rising alarmingly. Nuclear explosions and nuclear tests also

pollute the air. The Taj Mahal in Agra is affected by the fumes emitted by the Mathura refinery. Reports estimate that the monument would get defaced with a span of twenty years because of the harmful effluents of the mission from the refinery.

Soil pollution usually results from the disposal of solid and semi-solid wastes from agricultural practices and from unsanitary habits. The soil is heavily polluted day-by-day by hazardous materials and microorganisms, which enter the food chain or water and create numerous health problems.

The emission of greenhouse gases has led to climatic changes. The increase in pollution has resulted in global warming. Global warming is an average increase in the Earth's temperature due to greenhouse effect as a result of both natural and human activity. The term climate is often used interchangeably with the term global warming. The ice-caps in the Polar Regions have begun to melt fast. This has resulted in the rise of the water level of the seas and oceans. Grass sprouting in Antarctica and snowfall in the desert of the United Arab Emirates are all the warning signals of global warming. These are caused by the Greenhouse Effect. India is a tropical country. Destruction of forests has led to climatic changes. It has also led to the extinction of many rare species of wildlife.

It is now considered by the overwhelming majority of scientists that global warming is the most important threat to humanity. It is becoming more apparent that humanity may be facing more drastic problems in the near future as a result of global warming which will be unavoidable unless great measures are taken very soon.

The Indian Association of Preventive and Social Medicine (IAPSM) and The Indian Public health Association had urged the Indian government and the civil society to take prompt action to prevent the effects of global warming on health.

According to the fourth assessment report of UN Intergovernmental Panel on Climate Change (IPCC), it is important to study the impact of global warming at the grass root level and chalk out ways to tackle it.

Pollution causes different types diseases. Air pollution causes allergies, asthma, lung cancer and bronchitis. Radioactive pollutants cause respiratory problems, paralysis, cancer, and other diseases. Excessive noise pollution can lead to deafness, anxiety, stress, increase in the rate of heart beat and other health problems. The depletion of the ozone layer can also result in skin diseases.

In order to fight this menace of pollution, vigorous efforts should be made. The Anti-pollution law should be strictly practiced. In order to check water pollution, the sewage and the factory waste should be properly treated and cleaned before being discharged. Trees should be planted everywhere and vehicles should be made eco-friendly.

Public education and awareness of the relationship between climate change and human health is key to deal with problems more effectively. General awareness is must to save our planet from destruction. All the nations of the world should work unitedly to control environmental pollution.

Before we discuss the role of education in the eradication of pollution let us keep in mind a few things like its impact on health, the radio-active waves, rise in respiratory and eye diseases, the growth in diseases caused by virus, the gastroenteritis diseases, various diseases relating to noise resulting in deafness, and other diseases of lungs and heart. The growing adverse effect on all types of vegetation cannot be ignored.

POLLUTION CONTROL MEASURES

Now it shall be worthwhile to discuss the role of education in the eradication of pollution. Following are the measures if adopted in letter and spirit in the right earnest, may bear fruitful results:

1. New ways of looking at the environment so that its value can be reflected in the national accounts, better planning and legislation, more careful and wider use of existing and new environmental technologies, including the all-important environmental impact assessment-a way of appraising the effect of any proposed project on the environment before it is launched.
2. The new Environment (Protection) Act, 1986, is far better in approach than the earlier laws. The Water (Prevention and Control of Pollution) Act, 1974, and the Air (Prevention and Control of Pollution) Act, 1981, were weak and merely regulatory in character.
3. There is a section on hazardous industries and environmental disasters. Thus, hazardous industrial pollution is also covered. A hazardous substance is defined as "any substance or preparation which, by reason of its chemical or physic-chemical properties or handling, is liable to cause harm to human beings, other living creatures, plants, micro-organisms, property or the environment."

ECOLOGY

The term 'ecology' is derived from two Greek words oinks (meaning house) and logos (meaning study of) and is used to denote the relationship between the organisms and their environment.

Ecology has been defined in a number of ways. According to Woodbury (1954), 'Ecology is a science which investigates organisms in relation to their environment'. E.P. Odom (1969) defined ecology as 'the study of structure and function of nature'. The most acceptable definition of ecology was proposed by Charles Krebs (1985), Ecology is the scientific study of the interaction that determines the distribution and abundance of organisms.

In ecology, the term 'habitat' is used to denote the place where an organism's or species' population lives, for example pond. A pond is the habitat of zooplankton and fish. 'Niche' is the fundamental unit of an organism's or species' population in the community.

Whereas 'habitat' is the place where an organism lives, 'niche' is the activity (functional) aspect of the organism. 'Population' is used to denote groups of individuals of any one kind of organism and 'community' or biotic community includes all the populations of a given area, called habitat.

Ecology plays a significant role in our day-to-day life. It is concerned with agriculture, horticulture, conservation of soil, forest, wildlife, water resources, etc.

Ecology is the study of interrelationship between living organisms and their environment. Life and environment are interdependent. The plant and animal life is effected by various environmental factors and in turn they modify their environment in various ways. The main theme of ecological studies is the relationship between organisms and environment, so ecology may well be called as "Environmental Biology." Growth, development and destruction of all organisms is determined by physical and biological conditions, their extremes and their interactions. Environment determines the destiny of a living organism. Plants growing in any particular place fully adapt themselves to that habitat.

The term ecology was first of all proposed by Reiter, a zoologist in 1865. In 1866 Haeckel another zoologist defined ecology as the study of reciprocal relations between organisms and environment.

Divisions of Ecology

Ecology is divided into the following main divisions:

1. **Autecology:** is concerned with the study of individual plants or the population of individual plant species in relation to environment.
2. **Gynecology:** is the study of plant communities and their relationship with environment.
3. **Ecosystem logy:** In nature, plants do not live by themselves. Always associated with them are small and large animals belonging to different levels of food habits and evolutionary scale. As in the case of plants we have animal populations and communities. The plant and animal communities of any region influence and interact with one another and together constitute a biotic community. There is interdependence between plants and animals of a biotic community and an interchange of materials takes place between them. Thus a tree provides food and oxygen to animals. The animals on the other hand supply CO₂ for photosynthesis to green plants.

Dead plant parts and dead animals and their excretions serve as food for saprophytic fungi and bacteria and in this process are converted into organic humus component of soil. Due to further decomposition of organic matter, elements like Calcium, Potassium, Carbon dioxide, Nitrogen, Phosphorous, are released and returned to soil and serve as nutrients to plants. The biological community and nonliving environment thus interact with each other and an exchange of materials between them takes place. Such a natural unit of living community and nonliving environment interacting and exchanging material between themselves is called an Ecological system or ecosystem. Ecosystem is the functional unit of ecology.

IMPORTANCE OF ECOLOGY

The importance of ecology is due to the presence of man in the ecosystem. Man interacts not only with its own species but also with other living organisms.

There are millions and millions of organisms in dynamic co-existence with each other and each one of them plays a significant role in the eco-system.

Ecology thus, has broad objective and provides a scientific basis for the aims of environmentalism, as well as for evaluating its goals and policies.

Ecology does not dictate what is 'right' or 'wrong' but provides knowledge about the quantification of biodiversity and population dynamics.

The objective of ecology is to understand the dynamics of our surroundings and to take proper measures to conserve it if and when required. However, the main objective of ecology is to study:

1. The local and geographical distribution and abundance of organisms.
2. The inter-relationship between organisms in population and communities.
3. The structural adaptations and functional adjustments of organisms to their physical environment.
4. The behaviour of organisms 'under natural conditions.
5. The biological productivity of nature and its relationship with mankind.
6. Temporal changes in the occurrence, abundance and activities of organisms.
7. Conservation and management of natural resources and pollution.

The Industrial Revolution changed the lives of people in Europe in a most dramatic way. It brought them from the countryside to the city in search of jobs; it changed their life patterns, created new tastes and recreations. Most significantly, it saw the organization of production of goods on a scale never known before.

Factories required fuel and raw material. As new industrial townships came up there was huge demand for construction material like bricks, in the manufacture of which large quantities of wood were required. There was also a growing need for good grain to feed the growing urban population.

How did all this impact on nature? In very big way because it was Mother Nature alone that could provide all the materials required for this major change. The most noticeable change was the conversion of wooded or forest lands to cultivable tracts. Millions of hectares of land were brought under cultivation.

The well-known historian E.J. Hobsbawn, in his book tells us that Sweden more than half, Germany and Hungary by about a third. In southern Italy and its islands, about 6000,000 hectares of trees disappeared between 1860 and 1911.

Forests and grasslands, which were teeming with biodiversity, were made to give way to the simplifications of commercial agriculture. This brought about a major Ecological change.

New industrial cities brought unhealthy living and pollution in its wake. In England and later in Europe, writers, poets and painters recoiled at the ugliness of the new urban centers. Some writers like Charles Dickens and Elizabeth Gaskell described the squalor in their novels.

This was one of the dilemmas of development. On the one hand there was progress. The 19th and 20th centuries were the centuries of major developments in science and technology. While one branch of science concentrated on uncovering the laws of nature, another was committed to harnessing nature to the needs of capitalist development.

The lives of men and women were being transformed as never before. There were now conveniences to be enjoyed but there were, at the same time, new health hazards and new natural disasters to contend with.

The negative consequences of the new developments were recognized rather early in the day- in fact in the nineteenth century itself. The problem of nature was understood to be a serious one and policy makers had to strike a balance between maintaining the existing natural order and disturbing it. At the same time development could not be compromised, especially at a time when each nation was involved in the race to surpass the other.

Since this was the era of imperialist expansion and colonial exploitation, the dilemmas of development would involve not just Europe but Asia, the Americas and Australia as well.

Given the equation between the imperialist powers and their colonies, it was only to be expected that the ecological changes would be on a much larger scale in the colonies.

Since most of the colonies had been acquired to fulfill the needs industrialization, especially the growing demand for raw materials, the ecosystems of these areas were bound to be affected. All parts of the earth have their own natural ecosystems.

These could be very small, like a simple pond, or an entire rain forest or a desert-it could even be the whole earths-Ecosystems have been compared to machines that run automatically, checking themselves when they get too hot, speeding up when they get too slow and so on.

When they get too hot, speeding up when the equilibrium is affected and the entire system could collapse.

Environmental historians like Donald Worster, in the *Ends of the Earth*, tell us that for a long time the most dramatic environmental alterations came from the massive conversion of natural ecosystems into croplands. The bio-complexity of these regions was lost. Species of plants and animals began to disappear at an alarming rate.

As Worster puts it: "first it was one species every year, then one every day, soon it will be one every hour, one every half hour, one every 15 minutes."There were plants on which man had depended for food, for medicines, for building materials and so much else for centuries. They now disappeared without a trace. Not only was the natural process of evolution suspended, it was even reversed.

ECOLOGY BALANCE

There is dire need to educate people about environment balance. Earlier we did not bother about our environment and took it for granted. We are now worried when we see that ecological and environmental (Air, Water and Noise) imbalances have started to occur in our life and have started to take their toll.

It is imperative that we carefully manage our renewable resources of soil, water, plant and animal life to sustain our economic development. Over exploitation of these is reflected in soil erosion, siltation, floods, rapid destruction of our forests, floral and wild life resources.

It is only towards the end of nineteen seventies that Ecology has caught the imagination of people-of planners and educationists alike. It is the time to wake up or face tragedy or catastrophe of unimaginable dimensions. We shall fall victims to chronic and fatal diseases.

Some suggestions to educate people in this direction are as follows:

1. Environment Education in Curriculum

Environment education should be included in the curriculum. At the primary stage environment studies should be correlated with the nature-study, social studies and health education. Form class 8th onwards, environment studies should be made a compulsory subject.

2. Environment Education Corners

In the primary schools environment education corners should be set up. The pupils should be encouraged to carry out projects like cleaning up the environment, cleaning up vacant spaces, parks, school compound, lawns and other physically polluted areas of one's surroundings

3. Arrangement of Extension Lectures

Lectures on environment education should be arranged in schools and colleges. Today's children are the citizens of tomorrow. It is they who have to face the ecological imbalance.

They must be warned of and educated about impending disaster of ecological imbalance. For this, experienced persons working in the field of environment education can be invited for delivering lectures on different aspects of environment education.

4. By Arranging Discussions and Seminars

Students can be made aware about the ill effects of different types of pollutions through discussions and seminars which can be arranged in schools and colleges.

5. By Organizing Co-curricular Activities

Co-curricular activities can be more helpful and useful in this field. Education for healthy environment can be given effectively with the help of various co-curricular activities being organized in the school.

Co-curricular activities like organization of exhibitions, seminars, workshops, excursions, declamation contest, organization of clubs etc. can help a great deal in this respect.

6.Publicity

Our general public and policy makers should be effectively exposed to environmental issues. We must broadcast talks over Radio, T.V. on these issues. Films can also be shown to people aware of the need to maintain ecological balance.

Posters can also be displayed. Hoardings at crossings can make People conscious of their duty in this regard.

7. Legislation

In view of disastrous effects of different types of pollutions, there is urgent need to adopt suitable measures to prevent air and noise pollution, over exploitation of fisheries, control of impact of mining on environment.

A provision for taking over the treatment of industrial effluents by the Government and preservation of landscapes is also of special significance. Old legislations should be suitably amended and strictly enforced.

In 1974, Government passed a law for the prevention and control of water pollution and set up a Central Water Pollution Board.

8.School Magazine

Teacher can invite the students to write articles on pollution and its ill effects on the humanity. They can take part in essay competitions. The teacher can guide the pupils regarding the literature available in this field. He can arrange poster competitions, declamation contests, dramatizations etc

9. By Encouraging Research in the field of Environmental Education

To control the problem of environmental imbalance, the need to encourage research today is stronger than ever before. Latest technology should be utilized in industries.

10.By Involving Students

Schools should take up cleaning campaigns, campaign against social evils like drug addiction, cleanliness of the surroundings, etc. The teacher should involve students in solving local environmental problems the teacher should make the students familiar with their close relationship to the environment surrounding them and tell about its contribution for them.

11.By Celebrating Environment Day:

To make students aware about environmental problems and their ill effects, there is urgent need to celebrate environment day in schools every year. On this day students should be

made to understand the use of protecting the environment. Tree plantation programme can be gained and cleanliness drives can be taken up.

12. By Encouraging People Initiative

In order to create awareness about environmental problems and their bad effects people should be encouraged to take part in "Chipko" like movements. Such movements can be launched from time to time in different parts of the country against indiscriminate felling of trees.

These movements can draw the attention of the government as well as general public. We should give whole hearted support to such movements.

Teacher is an important means of process of education. Therefore when education plays important role in the formation of healthy environment, teacher can make as much important contribution. He is the architect of the future whom the children copy.

The responsibility of guiding the society lies on the teacher. He is the agent of social change and modernization.

He can impart current information to the new generation and develop outlook towards new values. He can prepare the students mentally for the healthy environment. Its effect is not only there on the student community but he can expand his area.

RELATION BETWEEN BUSINESS AND ECOLOGY

The relationship between a Business and its ecology may be discussed in terms of interactions between them in several areas, which are as follows:

1. Exchange of Information

Organizations scan environmental information and use it for planning, decision making and control.

Organizations transmit information to several internal and external agencies like govt., investors, trade unions and professional bodies.

2. Exchange of Resources

Inputs to a business, like materials, men, money and machines, are drawn from environment.

Output in the form of goods and services is supplied to the environment.

3. Exchange of Influence and Power

(i) Environment transmits opportunities and threats.

(ii) Environment has a considerable stronghold over an organization by virtue of its command over inputs.

(iii) Government controls the organization through legitimate power; markets, suppliers, etc., influence the planning and decision making of the organization.

(iv) An organization also influences the environment through its command over internal resources and capacity to provide output.

Questions:

(1). State whether the following statements are true or false:

- a) The environment may be both economic and non-economic.
- b) It is imperative that we carefully manage our renewable resources of soil, water, plant and animal life to sustain our economic development.
- c) India was the third country to impose a constitutional obligation on the state and citizens to protect and improve the environment as one of the primary duties.
- d) The Anti-pollution law need not be strictly practiced.
- e) Any substance or preparation which, by reason of its chemical or physic-chemical properties or handling, is liable to cause harm to human beings, other living creatures, plants, micro-organisms, property or the environment is hazardous.

Answers: (a) true (b) true (c) false (d) false (e) true

(2). Fill in the blanks with correct answers from the options.

- a) _____in general, means the sum total of all physical and social conditions that influence individuals or community. (environment, business, society)
- b) The Environment Protection Act was passed by Parliament on _____.(23 May 1986, 14 October 2000, 17 June 1996)
- c) Inputs to a business, like materials, men, money and machines, are drawn from_____(environment, business, society)
- d) _____scan environmental information and use it for planning, decision making and control (organizations, individuals, animals)
- e) The increase in pollution has resulted in_____. (global warming, clean air, inflation)

Answers: (a) environment (b) 23 May 1986 (c) environment (d) organizations (e) global warming

(3). Match the following:

COLUMN A	COLUMN B
k) Ecology and business	11) Living surrounding
l) Air Pollution	12) Exchange of resources
m) Chipko movement	13) Study of individual plants
n) Environment	14) Skin diseases
o) Autecology	15) To safeguard rich Himalayan forests

Answers: (a – 2) (b – 4) (c – 5) (d – 1) (e – 3)

(4). Essay-Type questions:

- “The objective of ecology is to understand the dynamics of our surroundings and to take proper measures to conserve it” Explain.
- What is pollution? Briefly explain some measures taken by the government to control pollution.
- What is Environment Audit?
- Explain the relationship between business and ecology.
- Why is there a need for pollution control?
- What is environment? Why do we need to protect it?
- Explain the importance of ecology

h) Short notes:

- Major environmental movements in India
- Environment audit
- Relationship between ecology and business
- Ecological imbalance.

CHAPTER 4

BUSINESS AND SOCIETY - II

(B)SOCIAL RESPONSIBILITY

- INTRODUCTION AND MEANING
- NEED TO FULLFILL SOCIAL RESPONSIBILITY
- ARGUMENTS FOR SOCIAL RESPONSIBILITY OF BUSINESS
- ARGUMENTS AGAINST SOCIAL RESPONSIBILITY OF BUSINESS
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

INRTODUCTION

The social responsibility concept is based on the premise that business has greater impact on society than can be measured by profit or loss. As a participant in society, business should contribute to the human and constructive social policies that guide society. The concept of social responsibility is merely a first step towards social effectiveness of business. It is the underlying value which gives businessmen a sound basis for social action. It is the philosophy which justifies business involvement in its social community, but philosophy by itself is incomplete. It must be followed by effective social action. Philosophy without program is a shadow without substance. Perhaps, one should take, therefore, less of corporate social responsibilities and more of corporate social responses. The former is too redolent of legalism and the notion of fixed obligations, the latter more open permits voluntary and creative undertakings by business on behalf of society's larger needs.

Every country's economy is dependent upon the type of business activities being carried out in the country. By business or financial institutions we mean to say that it is a social process wherein individuals carry on common activities making their contribution to the country's economy and at the same time living on the profit earned in business.

Business plays a special role in the countries with free market economies and where free industrial enterprise is permissible. In olden days the policy of "Laissez fair" prevailed (i.e. the let alone principle in government), and at that time businessmen were free to run their business in whatever way they liked. Even the business of agriculture was simple as landlordism enabled Zamindars to exploit the labour of the individual farmers for their personal benefits and there was no check upon their selfish business activities.

Since the advent of industrialization in many western countries, large number of workers had to be brought together to run the machines to get large-scale production, the processes of political and economic institution underwent rapid transformation. The labourers who were being exploited started rebellion and formed associations and unions to assert their rights.

The concept of welfare state, the socialism and the dignity of the individual rose to accelerate the eradication of such institutions as slavery, landlordism and the like.

With the advent of these social changes states started taking interest in proper regulation of business and industries and tried to reconcile the interests of different constituents—farmers, industrialist, workers etc. The employers were made to provide a certain amount of minimum facilities to the employees e.g. the fixation of working hours and provision of proper working conditions. The establishment of international organization during the 20th century—the League of Nations and the United Nations, together with their specialized agencies including International Labour Organization—brought forth new principles of social behavior by businessmen over the world.

Satisfied workers are great asset to the employer and to the nation. It is a great source of profit for business in the long run. The main motive, i.e. the in any business should not be secured at the cost of any of the obligations enjoyed by the employers, but it should be designed to bring about good relationship with the worker.

The economy in the modern society comprises of public sector and private sector. The private sector is now under obligation to manage its affair more respectably to survive. The main aim of the private sector which is pervading all over is to make healthy contribution to the national economy and the concept of private profit has been given a secondary place and first priority is given to the welfare of masses.

Keeping in mind the large population of India, the plea for nationalized industry and agriculture is not possible. Therefore everybody has been emphasizing the need for small-scale industries. Large-scale industries are proposed to be set up in public sector as the state is expected to look after the welfare of employees, while in the private sector less attention is paid on the welfare of the workers as these are working with the sole motive of profit making.

NEED TO FULFILL SOCIAL RESPONSIBILITY

Rationale for the business organizations to fulfill certain social responsibilities is listed here under.

1. Business enterprises are sub systems of the larger society. To fulfill their economic objectives, they will have to draw from the various resources which the society has got. Since it is depending on the society to utilize the various resources that it requires to fulfill its economic objectives, it is quite logical for the enterprises to be responsible to the society.
2. When the business enterprises accept social responsibility then the same will get reflected in all their managerial decisions. If that is so, the operations of the enterprises will always produce something beneficial to the society.

3. Business enterprises because of their operations build up for themselves tremendous amounts of social power. This social power, logically speaking, ought to be matched with social responsibility. Otherwise, there is a threat of the same being misused.
4. Acceptance of some amount of social responsibility will also legitimize the commercial and economic objectives of the business.
5. One of the professional requirements to manage any business enterprise is to be sensitive to the social environment. Social sensitiveness is difficult to pick up unless otherwise business enterprises are made to have some social responsibilities.
6. The business enterprises could not grow and diversify unless otherwise the economic and societal environment is conducive to their development. The said environments can be made conducive only when the business enterprises make some effort towards it. To make such efforts the enterprises must fulfill some social responsibilities.
7. The changing societal environment will naturally force the Government to enact laws so as to make the business enterprises to have social responsibilities. Hence it is always better for the business enterprises to make some social initiation on their own account and to have some social responsibility before it is enforced on them.

Today, many organizations are involved in social activities. Since the expectations of the society have changed, organizations have become more aware of their social responsibilities. A careful analysis of arguments for and against the involvement of organizations in social welfare is necessary to determine whether an organization should implement social initiatives.

ARGUMENTS FOR SOCIAL RESPONSIBILITIES OF BUSINESS

1. Change in public expectations

The needs of today's consumers have changed, resulting in a change in their expectations of businesses. Since businesses owe their profits to society, they have to therefore respond to the needs of society.

2. Business is a part of society

Society and business are benefited when there is a symbiotic relationship between the two. Society gains through economic development and the provision of employment opportunities; and business benefits through the workforce and consumers provided by society.

3. Avoiding intervention by government

By being socially responsible, organizations attract less attention from regulatory agencies. This gives them greater freedom and flexibility in their operations.

4. Balance of responsibility and power

Businesses have considerable power and authority. The exercise of this power should be accompanied by a corresponding amount of responsibility.

5. Impact of internal activities of the organization on the external environment

Most firms are open systems, i.e., they interact with the external environment. The internal activities of such firms have an impact on the external environment. To

avoid a negative impact on the external environment, firms should be socially responsible.

6. Protecting shareholder interests

By being socially involved, a company can improve its image and thus protect its shareholders' interests.

7. New avenues to create profits

Social responsibility involves the conservation of natural resources. Conservation can be beneficial for firms. Items that had been considered waste earlier (for example, empty soft drink cans) can be recycled and profitably used again.

8. Favorable public image

Through social involvement, a firm can create a favorable public image for itself and endear itself to society. By so doing, a firm can attract customers, employees, and investors.

9. Endeavor to find new solutions

Businesses have a history of coming up with innovative ideas. Therefore, they are likely to come up with solutions for social problems, which other institutions were unable to tackle.

10. Best use of resources of a business

Businesses should make optimum use of the skills and talent of its managerial personnel as well as its capital resources to produce good quality products and services. By so doing, the business will be able to fulfill their obligations toward society.

11. Prevention is better than cure

It is in the interests of business organizations to prevent social problems. Instead of allowing large-scale unemployment to lead to social unrest (which will harm business interests), businesses can be sources of employment for eligible youth.

ARGUMENTS AGAINST SOCIAL RESPONSIBILITY OF BUSINESS

1. Opposes the principle of profit maximization

The main motive of a business is profit maximization. Social involvement may not be economically viable for a business.

2. Excessive costs

When a business incurs excessive costs for social involvement, it passes the cost on to its customers in the form of higher prices. Society, therefore, has to bear the burden of the social involvement of business by paying higher prices for its products and services.

3. Weakened international balance of payments

A weakened international balance of payments situation may be created by the social involvement of organizations. Since the cost of social initiatives would be added to the price of the products, the multinational companies selling in international markets would be at a disadvantage when competing with domestic companies which may not be involved in social activities.

4. Increase in the firm's power and influence

Businesses are inherently equipped with a certain amount of power. Their involvement in social activities can lead to an increase in their power and influence. Such influence and power may corrupt them.

5. Lack of necessary skills among businesspeople

Business people do not possess the necessary skills to handle the problems of society. Their expertise and knowledge may not be relevant to deal with social problems.

6. Lack of accountability to society

Until a proper mechanism to establish the accountability of businesses is developed, they should not get involved in social activities.

7. Lack of consensus on social involvement

There is no agreement regarding the type of socially responsible actions that a business should undertake.

Questions:

(1). State whether the following statements are true or false:

- a) Businesses should make wastage of the skills and talent of its managerial personnel as well as its capital resources
- b) One of the professional requirements to manage any business enterprise is to be sensitive to the social environment
- c) Society and business are benefited when there is a symbiotic relationship between the two.
- d) The social responsibility concept is based on the premise that business has greater impact on society than can be measured by profit or loss.
- e) One should take, more of corporate social responsibilities and less of corporate social responses

Answers: (a) false (b) true (c) true (d) true (e) false

(2). Fill in the blanks with correct answers from the options.

- a) The main motive of a business is _____ and hence, Social involvement may not be economically viable for a business.(social benefit, profit maximization, industrialization)
- b) Since the expectations of the society have changed, organizations have become more aware of their _____ responsibilities(social, individual, business)

- c) Social responsibility of business is _____ (voluntary, compulsory, statutory)
- d) Providing employment is the responsibility of business towards _____(society, consumers, employees)
- e) To avoid a _____ impact on the external environment, firms should be socially responsible. (positive, negative, critical)

Answers: (a) profit maximization (b) social (c) voluntary (d) society (e) negative

(3). Match the following:

COLUMN A	COLUMN B
a) Social responsibility towards Society	1) No exploitation of labour
b) Social responsibility towards employees	2) Supply good quality products at fair prices
c) Social responsibility towards nation's resources	3) Pollution free environment
d) Social responsibility towards consumers	4) Distribute fair dividends
e) Social responsibility towards shareholders	5) Optimum utilization

Answers: (a – 3) (b – 1) (c – 5) (d –2) (e – 4)

(4). Essay-Type questions:

- a) What is social responsibility? Why is there a need for the business organizations to fulfill social responsibility?
- b) Discuss the cases against social responsibility.
- c) Discuss the cases for the support of business organizations fulfilling social responsibility.
- d) “As a participant in society, business should contribute to the human and constructive social policies that guide society.” Discuss.

- e) What are the responsibilities of business towards the society and employees?
- f) “Since the business depends on the society to utilize the various resources that it requires to fulfill its economic objectives, it is quite logical for the enterprises to be responsible to the society.” Do you agree?

g) Short notes:

- a) Concept of social responsibility
- b) Arguments for social responsibility of business
- c) Responsibility of business towards the nation
- d) Arguments against social responsibility of business

CHAPTER 5

BUSINESS AND SOCIETY - III

(C)BUSINESS ETHICS

- INTRODUCTION
- MEANING
- IMPORTANCE
- PRINCIPLES
- CHARACTERISTICS
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

INTRODUCTION

Business ethics is nothing but the application of ethics in business. Business ethics is the application of general ethical ideas to business behavior. Ethical business behavior facilitates and promotes good to society, improves profitability, fosters business relations and employee productivity. The concept of business ethics has come to mean various things to various people, but generally it's coming to know what is right or wrong in the workplace and doing what's right - this is in regard to effects of products/ services and in relationships with stakeholders.

Business ethics is concerned with the behavior of a businessman in doing a business. Unethical practices are creating problems to businessman and business units. The life and growth of a business unit depends upon the ethics practiced by a businessman. Business ethics are developed by the passage of time and custom. A custom differs from one business to another. If a custom is adopted and accepted by businessman and public, that custom will become an ethic. Business ethics is applicable to every type of business. The social responsibility of a business requires the observing of business ethics. A business man should not ignore the business ethics while assuming social responsibility. Business ethics means the behaviour of a businessman while conducting a business, by observing morality in his business activities.

MEANING

According to Wheeler Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as reorganizing the moral responsibility for the rightness and wrongness of business conduct.

According to Rogene. A. Buchholz , —Business ethics refers to right or wrong behaviour in business decisions —.

Business Ethics or Ethical standards are the principles, practices and philosophies that guide the business people in the day today business decisions. It relates to the behaviour of a businessman in a business situation. They are concerned primarily with the impacts of decisions of the society within and outside the business organizations or other groups who keep interest in the business activities. Business ethics can be said to begin where the law ends. Business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong

IMPORTANCE OF BUSINESS ETHICS

1. There may be many reasons why business ethics might be regarded as an increasingly important area of study, whether as students interested in evaluating business activities, or as managers seeking to improve their decision-making skills.
2. It is generally viewed that good business ethics promote good business.
3. The power and influence of business in society is greater than ever before. Business ethics helps us to understand why this is happening, what its implications might be, and how we might address this situation.
4. Business has the potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development and thereby increases the goodwill.
5. Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment. Through helping us to understand more about the causes and consequences of these malpractices, business ethics helps to create mutual trust and confidence in relationship.
6. The demands being placed on business to be ethical by its various stakeholders are constantly becoming more complex and more challenging. Business ethics provides the means to appreciate and understand these challenges more clearly, in order that firms can meet these ethical expectations more effectively.
7. Business ethics can help to improve ethical decision making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyze, and provide solutions to the ethical problems and dilemmas they are confronted with.
8. A business can prosper on the basis of good ethical standards and it helps to retain the business for long years.
9. Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.
10. In the age of complexity in business fields , competition is increasing day by day
Good ethical standard helps the business to face the challenges

PRINCIPLES OF BUSINESS ETHICS

The Principles of business ethics developed by well known authorities like Cantt, J. S.Mill, Herbert Spencer, Plato, Thomas Garret, Woodrad, Wilson etc are as follows

1. **Sacredness of means and ends:** The first and most important principles of business ethics emphasize that the means and techniques adopted to serve the business ends

must be sacred and pure. It means that a good end cannot be attained with wrong means, even if it is beneficial to the society.

2. **Not to do any evil:** It is unethical to do a major evil to another or to oneself, whether this evil is a means or an end.
3. **Principle of proportionality:** This principle suggests that one should make proper judgment before doing anything so that others do not suffer from any loss or risk of evils by the conducts of business.
4. **Non co-operation in evils:** It clearly points out that a business should with any one for doing any evil acts.
5. **Co-operation with others** This principles states that business should help others only in that condition when other deserves for help
6. **Publicity:** According to W. Wilson, anything that is being done or to be done, should be brought to the knowledge of everyone. If everyone knows, none gets opportunity to do an unethical act.
7. **Equivalent price:** According to W. Wilson, the people are entitled to get goods equivalent to the value of money that he will pay.
8. **Universal value:** According to this principle the conduct of business should be done on the basis of universal values.
9. **Human dignity:** As per this principle, man should not be treated as a factor of production and human dignity should be maintained.

CHARACTERISTICS OF BUSINESS ETHICS

The following are the important features of business ethics:-

1. Business ethics are the principles, which govern and guide business people to perform business functions and in that sense business ethics is a discipline.
2. It is considered both as a science and an art.
3. It continuously test s the rules and moral standards and is dynamic in nature.
4. It is based on theological principles such as sincerity, human welfare, service, good behavior etc.

5. It is based on reality and social customs prevailing in business environment.
6. It studies the activities , decisions and behavior which are related to human beings
7. It has universal application because business exists all over the world.
8. Many of the ethical principles develop the personal dignity

Business ethics keeps harmony between different roles of businessman, with every citizen, customer, owner and investors.

Questions:

(1). State whether the following statements are true or false:

- a) Business ethics is not useful to consumers
- b) Business ethics is based on the principles of human welfare
- c) Business malpractices have the potential to save individuals and society from enormous harm
- d) Unethical practices are creating problems to businessman and business units.
- e) Business ethics can be said to begin where the law ends

Answers: (a) false (b) true (c) false (d) true (e) true

(2). Fill in the blanks with correct answers from the options.

- a) It is generally viewed that good business ethics _____ good business.
(promote, demote, adulterate)
- b) It has_____ application because business exists all over the world (local, national, universal)
- c) A business man should not ignore the business ethics while assuming_____responsibility.(business , social, individual)
- d) _____are the principles, practices and philosophies that guide the business people in the day today business decisions (ethical standards, rules and regulations, business law)
- e) _____ means the behaviour of a businessman while conducting a business, by observing morality in his business activities. (business ethics, moral value, social value)

Answers: (a) promote (b) universal (c) social (d) ethical standards (e) business ethics

(3). Match the following:

COLUMN A	COLUMN B
f) Malpractices	6) Moral values
g) Unethical act	7) Making proper judgment
h) Ethics	8) Exploitation of labour
i) Business ethics	9) Exploitation of consumers
j) Principle of proportionality	10) Code of conduct for businesses

Answers: (a – 4) (b – 3) (c – 1) (d – 5) (e – 2)

(4). Essay-Type questions:

- a) What is business ethics? Explain its features.
- b) What is the importance of business ethics in the business world?
- c) Explain in brief the principles of business ethics.
- d) “Business ethics helps to create mutual trust and confidence in relationship.”
Elaborate.
- e) Define business ethics? Briefly explain why is it needed in the business?
- f) “The life and growth of a business unit depends upon the ethics practiced by a businessman”. Do you agree?

g) Short notes:

- a) Principles of business ethics
- b) Characteristics of business ethics
- c) Business ethics

CHAPTER 6

BASIC COMMERCIAL INFORMATION

- MEANING OF COMMERCE
- BRANCHES OF COMMERCE
- CLASSIFICATION OF BUSINESS ACTIVITIES
- COMPONENTS OF COMMERCE
- MANAGERIAL RESPONSE TO CHANGE IN BUSINESS
- COMMERCIAL TERMS
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

(A) COMMERCE

Commerce is the exchange of items of value between persons or companies. Any exchange of money for a product, service or information is considered a transaction of commerce. The trading of items for other items also is included in the definition of commerce. These trades do not need to occur physically in a single location, and transactions made over the Internet — also known as e-commerce — became widespread during the early 21st century.

Branches of Commerce

Since commerce embraces all those activities of taking goods and services from the production centre to the consumption, great deals of obstacles are crossed. In between these two ends the obstacles faced are difficulties of trade, transportation, distribution, finance, storage, insurance and publicity. The above mentioned difficulties are removed by the various branches of commerce. These branches are:

Trade: The channel through which goods are passed from the producer to the consumer is termed as trade. It is the agency which facilitates proper flow of goods. Trade involves buying and selling of goods.

Transport: Goods produced at the end of the producer are passed to the consumer with the help of transport facilities. The goods are transported from the place of low demand to the place of greater demand. Transport helps in the creation of place utility for the products. The growth of commerce largely vests on proper modes of transport like road, rail, sea and air.

Distribution: It is not possible on part of the producers to make direct contact with the consumers which are millions in numbers. A chain of middlemen like wholesalers, retailers, brokers and other agents help in the process of distribution of goods. The hindrances of persons are being removed with the help of different middlemen.

Insurance: A great deal of risks is involved during the course of transportation of goods. The risks in connection with goods are risks of fire or theft. These risks develop a state of fear of losses and these losses are covered by the help of insurance.

Advertisement: Since the consumers are scattered over distant places, they may not be aware of the availability of goods. Absence of knowledge of product puts a lot of hindrances on purchase of goods and this hindrance of knowledge is removed by advertisement and publicity.

Banking: There is a time lag between the production and sale of goods and during this period, the need of finance exerts a great deal of influences. The commercial banks and the other schedule banks play a vital role in mitigating these financial crises. Banks also facilitate in international trade by providing long-term financial assistances.

Warehousing: The production of goods takes place in the anticipation of demand and goods are produced during the period of less demand. There is a growing need to store the goods in a warehouse so that those can be utilized during the period of more demand. The facility of warehouse removes the hindrances of time. The need for warehouse is greater in foreign trade because there is more time gap between production and consumption.

Communication: The buyers and sellers are intimated through various communicating agencies. The producer intimate the buyer about the production of goods, and the buyer sends orders for supply of goods. The post office, telephone, telexes and fax helps in communication between the producer and consumers.

(B) CLASSIFICATION OF BUSINESS ACTIVITIES

Business activities may be divided into five categories:

1. Activities related to production of goods:
2. Activities related to rendering of services:
3. Activities related to distribution of goods:
4. Activities rendering distribution assistance:
5. Activities rendering financial assistance:

Broadly, business may be divided into two main divisions:

Industries & Commerce

Industries

Industry is concerned with the making or manufacturing of goods. It is that constitute of production which is involved in changing the form of a good at any stage from raw material to the finished product, e.g. – weaving woolen yarn into cloth. Thus industry imparts ‘form utility’ to goods. The goods produced may either be used by other enterprises as raw material for further production or as final products by consumers. When goods are used by other enterprises for further production, they are known as “producer’s goods”. The productions of plant, machinery, equipment etc. are examples of producers’ goods. When goods are finally used by consumers, they are known as “consumer’s goods”. The examples of such goods are cloth, bread, groceries, drugs, etc. An enterprise may produce materials, which will be further processed by yet another concern for converting them into finished goods. These goods are known as intermediate goods. The examples of this category are plastic, rubber, aluminum etc.

The industries may be classified as under:

1. Primary and Genetic Industry - Genetic industry is related to the re-producing and multiplying of concern species of animals and plant with the object of earning profits from their sale. Nurseries, cattle breeding, fish hatcheries, poultry farms are all covered under genetic industry. The plants are grown and birds and animals are reared and then sold on profit. No doubt, nature, climate and environment play an important part in these industries but human skill is also important.

2. Extractive Industry – The extractive industry is engaged in raising some form of wealth from the soil, climate, air, water or from beneath the surface of the earth. These industries are classified into two categories. In the first category, workers merely collect goods already existing. Mining, fishing and hunting is covered in this industry. In this category, the goods are to be produced by the application of the human skill i.e. agriculture and forestry. Extractive industries supply basic raw materials that are mostly the products of the soil. Products of these industries are usually transformed into many useful products by manufacturing industries.

3. Construction Industries- This industry is engaged in the creation of infra-structure for the smooth development of the economy. It is concerned with the construction, erection or fabrication of products. These industries are engaged in the construction of buildings, roads, dams, bridges and canals. These industries use the products of other industries such as cement, iron, bricks, and wood, etc.

4. Manufacturing Industry- This industry is engaged in the conversion of raw materials into semi-finished or finished goods. This industry creates form utility in goods by making them suitable for human use. Most of the goods which are used by consumers are produced by manufacturing industries. These industries supply machines, tools and other equipments to other industries as raw materials by manufacturing industry may be classified as follows-

(a) Analytical Industry- In this industry, one product is analyzed and many products are received as final products. In the processing of crude oil we will get kerosene, petrol, gas, and diesel, etc.

(b) Processing Industry- In this industry a product passes through various processes to become a final product. The finished product of one process becomes the raw material of the receiving process and the final process produces the finished goods. In case of cotton textiles, cotton passes through ginning, weaving, and dying process to become cotton cloth. Sugar industry and paper industry are other example of processing industry.

(c) Synthetic industry- In this industry many raw materials are brought together in manufacturing process to make a final product. In manufacturing cement, rocks, gypsum, coal etc. are required. Soap making, plastics paints are other examples of synthetic industry.

COMMERCE

Commerce is concerned with the exchange of goods. It includes all those activities which are related to the transfer of goods from the place of production to the ultimate consumers. Generally, commerce and trade are taken as synonymous words. Whereas trade involves

buying and selling of goods. Commerce has a wide meaning. Commerce includes trade and aids to trade. Besides trade, it includes all those activities which help the expansion of trade. The aids to trade include transport, banking, insurance, warehousing, advertising and salesmanship. Without the help of such agencies it is not possible to take goods from one place to another. The services of various agencies which facilitate transportation of goods, finance various activities, provide storing facilities, help in publishing goods and undertake various risks are not only helpful; but necessary for the growth of commerce.

“Commerce embraces all those processes, which help to break the barriers between producers and consumers. It is the sum total of those processes, which are engaged in the removal of hindrance of persons(trade), place(transport and insurance) and time (ware-housing) in the exchange(banking) of commodities”
So it can be said that the activities which establish the relationship between producers and consumers are known as commerce.

COMPONENTS OF COMMERCE

Commerce can be classified into two categories

1. Trade and
2. Aids to trade

(a) Trade. Trade is the process of taking goods from the source of production or place of production to the consumers. The producers cannot come into direct with consumers, so there should be some channel which will facilitate the transmission of goods from the producers to the consumers. The channel helps the exchange of goods is called trade.

Trade may be classified as follows:

1. Internal Trade
2. External Trade
3. Wholesale and Retail Trade

(a)Internal Trade or Home Trade: The purchase and sale of goods inside the country is called internal trade. Goods can be taken to any place but within the boundaries of the country. Internal trade may be divided as such:

(i) Local Trade : When the demand for products is limited only to a particular place, it is called local trade. Goods are produced according to the local needs of the consumers. The producers and the consumer belong to the same place. The goods traded in local markets are generally goods of daily use and perishable goods. These goods are vegetables, milk, bread etc.

(ii) Provincial or State Trade : These goods are of a durable nature and are sent throughout the state or province. The trade is limited to the boundaries of the state. Sometimes government puts some restrictions on the sale of goods outside of the state. Sometimes, goods are produced according to the needs, requirements or custom, of a particular region of state, and then these goods are not required outside the boundaries of the state.

(iii) Inter-State Trade: The trade conducted throughout the country but within the national boundaries is called inter-state trade. The goods traded are of durable nature and can be stocked for a longer period. The production of these goods is on a large-scale basis and they are sent to all parts of the country. Various kinds of textiles, kerosene, petrol, iron, steel etc. are traded on the inter-state basis.

(b) External Trade or Foreign Trade: When trade takes place between two countries, it is called foreign trade. Two countries are involved in foreign trade. The hindrances of place, time, risk, exchange are overcome with the help of various agencies. External trade generally requires permission from the respective agencies. External trade may be import trade or export trade. When goods are purchased from, outside countries, it is called import trade. On the other hand, when goods are sold to other countries, it is called export trade.

(c) Wholesale and Retail Trade: In wholesale trade, goods are purchased in large quantities and are sold to retailers. A wholesaler is link between the producers and the retailers. This helps the producers in making bulk production and selling in large quantities to wholesalers. A wholesaler does not come into direct contact with the consumer. Retail trade involves selling goods to the final consumers. The goods are sold in small quantities to the consumers. A retailer purchase goods from a wholesaler and sells them to the consumers. He provides a link between the wholesales and consumers.

Hindrances and Aids to Trade. In the course of exchange of goods, various problems are encountered. These problems may be regarding transport of goods from the producers to the consumers, financing the trade transactions, facing exchange problems, providing a cover for the loss of goods in transit and arranging the storing of goods. All these difficulties are overcome with the help of various agencies known as 'Aids to Trade'. The hindrances in the way of smooth trade are related to place, persons, finance, time, knowledge and risk.

(a) Hindrance of place (Transport): The goods produced have to be taken to the place of consumption. With the help of transport facilities, we can create 'place utility' in goods. The place utility helps the producers to increase the production and earn a remunerative price. The consumer is also benefited by supplying him with the goods which otherwise might not have reached him. The various modes of transport i.e. road, rail, sea; air helped the growth of commerce and industries.

(b) Hindrance of Persons (Distribution): The producers of goods may not be able to come into direct contact with the consumers. In present day world, the consumers are in millions and it is not possible for the producers to know the consumers. A chain of middlemen acts between the producers and consumers. The middlemen purchase goods from the producers and take them to the consumers. Both sides are relieved of their worries. The chain of wholesalers, retailers, brokers, agents etc. operates between the producer and the consumer and removes the hindrance of person.

(c) Hindrance of Finance (Banking): There is always a time lag between the production and sale of goods. The traders purchase goods from the producers and then sell them to the consumers. It takes time to collect money after sale. There is a need to finance trade activities. The commercial banks provide finance to trade in the shape of overdraft, loans, or cash credit. The bank plays an important role in international trade where trading parties are not known to each other. The documents are sent through banks who release the documents

after collecting the dues. So, banks help in overcoming financial problems.

(d) Hindrance of Time (Warehousing): Goods are purchased in anticipation of demand. They may also be produced at a time when they are not needed. So, there is a need to store goods up to the time of sale. The hindrance of time is to overcome with the help of warehouses. The foreign trade needs the help of warehouses even because there is more time gap between production and consumption. Agricultural products are produced seasonally, but they are required throughout the year. So, there is a need to store them so that they may be supplied according to demand.

(e) Hindrance of knowledge (Advertisement and Salesmanship): The consumer may not be aware of the availability of various goods in the market. The absence of information about goods is a great hindrance in the way of consumers buying them. The producer will also like to increase his customers. The advertisement and salesmanship helps in informing the consumer about the availability and usefulness of various products in the market.

(f) Hindrance of Risk (Insurance): There is risk involved in transporting the goods from one place to another. There can be a risk due to fire or theft. The fear of loss of goods due to any cause acts as an obstacle in the development of trade. The insurance companies provide coverage for all types losses of goods. The insurance coverage has given a fillip not only to the national trade but also to the international trade.

(g) Hindrance of Information (Communication): The buyers and sellers at wholesale level and retail level need the services of various agencies, which communicate their messages among themselves. The producers intimate to their customers about the production of goods. The intending buyers send orders to the producers for supply of goods. The services of post office, telephones, telegraph office, telex, etc. are utilized for communication purpose.

(C) MANAGERIAL RESPONSE TO CHANGE IN BUSINESS

MIS

Management Information Systems (MIS) is the study of people, technology, organizations and the relationships among them. MIS professionals help firms realize maximum benefit from investment in personnel, equipment, and business processes. MIS is a people-oriented field with an emphasis on service through technology.

Businesses use information systems at all levels of operation to collect, process and store data. Management aggregates and disseminates this data in the form of information needed to carry out the daily operations of business. Everyone who works in business, from someone who pays the bills to the person who makes employment decisions, uses information systems. A car dealership could use a computer database to keep track of which products sell best. A retail store might use a computer-based information system to sell products over the Internet. In fact, many (if not most) businesses concentrate on the alignment of MIS with business goals to achieve competitive advantage over other businesses.

MIS professionals create information systems for data management (i.e., storing, searching and analyzing data). In addition, they manage various information systems to meet the needs

of managers, staff and customers. By working collaboratively with various members of their work group, as well as with their customers and clients, MIS professionals are able to play a key role in areas such as information security, integration and exchange. As an MIS major, you will learn to design, implement and use business information systems in innovative ways to increase the effectiveness and efficiency of your company.

A common misconception that MIS only concerns programming. However, programming is just a small part of the MIS curriculum. While programming concepts represent some of the founding concepts and information systems development, implementation and use, many jobs in MIS do not utilize programming at all. A large portion of the MIS degree focuses on data analysis, teamwork, leadership, project management, customer service and underlying business theories.

Management information system (MIS) provides information that organizations need to manage themselves efficiently and effectively. Management information systems are typically computer systems used for managing three primary components: technology, people (individuals, groups, or organizations), and data (information for decision making). Most business schools (or colleges of business administration within universities) have an MIS department, alongside departments of accounting, finance, management, marketing, and sometimes others, and grant degrees (at undergrad, masters, and PhD levels) in MIS.

The following are some of the benefits that can be attained for different types of management information systems.

- Companies are able to highlight their strengths and weaknesses due to the presence of revenue reports, employees' performance record etc. The identification of these aspects can help the company improve their business processes and operations.
- Giving an overall picture of the company and acting as a communication and planning tool.
- The availability of the customer data and feedback can help the company to align their business processes according to the needs of the customers. The effective management of customer data can help the company to perform direct marketing and promotion activities.
- Information is an important asset for any company in the modern competitive world. The consumer buying trends and behaviours can be predicted by the analysis of sales and revenue reports from each operating region of the company.

EXPERTS

An **expert** is someone widely recognized as a reliable source of technique or skill whose faculty for judging or deciding rightly, justly, or wisely is accorded authority and status by their peers or the public in a specific well-distinguished domain. An expert, more generally, is a person with extensive knowledge or ability based on research, experience, or occupation and in a particular area of study. Experts are called in for advice on their respective subject, but they do not always agree on the particulars of a field of study.

Experts have a prolonged or intense experience through practice and education in a particular field. In specific fields, the definition of expert is well established by consensus and therefore it is not necessary for an individual to have a professional or academic qualification for them

to be accepted as an expert. In this respect, a shepherd with 50 years of experience tending flocks would be widely recognized as having complete expertise in the use and training of sheep dogs and the care of sheep.

Research in this area attempts to understand the relation between expert knowledge and exceptional performance in terms of cognitive structures and processes.

INNOVATION

Innovation implies doing new things or doing of things that are already being done in a new way. It includes introduction of new products, creation of new markets, application of new method of production, discovery of new and better sources of raw materials and developing a new and better form of industrial organization. Innovation may be based on the application of knowledge produced by research.

Innovation is different from invention. Invention implies discovery of new ideas, new products and new methods whereas innovation refers to the application of inventions to make new combinations] and thereby produce satisfaction and profit. Invention may facilitate innovations but invention is of little use to mankind unless it is marketable. An invention becomes an innovation only when it is embodied in a product or service that can be successfully sold in the market.

PATH OF LEAST RESISTANCE

The path of least resistance describes the physical or metaphorical pathway that provides the least resistance to forward motion by a given object or entity, among a set of alternative paths. The concept is often used to describe why an object or entity takes a given path.

Least resistance is a type of response in which an organization simply follows the demands of the environment as it is, without any aggression or strategy formulation.

The path of least resistance is also used to describe certain human behaviors, although with much less specificity than in the strict physical sense. In these cases, resistance is often used as a metaphor for personal effort or confrontation; a person taking the path of least resistance avoids these

It just manages to survive by way of coping with its changing external environments. Such an organization is not ambitious and confident and is therefore called a goal-maintaining unit.

Some organizations are very passive in their behaviour and are solely guided by the signals of the external environment.

Such response is chosen because it is a simple path to maintaining basic goals.

ACQUISITION

A corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm. Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing

firm's operations and niche compared to expanding on its own. Acquisitions are often paid in cash, the acquiring company's stock or a combination of both.

Acquisitions can be either friendly or hostile. Friendly acquisitions occur when the target firm expresses its agreement to be acquired, whereas hostile acquisitions don't have the same agreement from the target firm and the acquiring firm needs to actively purchase large stakes of the target company in order to have a majority stake.

In either case, the acquiring company often offers a premium on the market price of the target company's shares in order to entice shareholders to sell. For example, News Corp.'s bid to acquire Dow Jones was equal to a 65% premium over the stock's market price.

MERGER

The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.

"Merger" redirects here. For other uses, see Merge (disambiguation). For other uses of "acquisition", see Acquisition (disambiguation). For The Sopranos episode, see Mergers and Acquisitions (The Sopranos).

Mergers and acquisitions (abbreviated **M&A**) is an aspect of corporate strategy, corporate finance and management dealing with the buying, selling, dividing and combining of different companies and similar entities that can help an enterprise grow rapidly in its sector or location of origin, or a new field or new location, without creating a subsidiary, other child entity or using a joint venture. The distinction between a "merger" and an "acquisition" has become increasingly blurred in various respects (particularly in terms of the ultimate economic outcome), although it has not completely disappeared in all situations.

JOINT VENTURE

A joint venture is an association of two or more person who undertake business venture like building erection, underwriting of shares of new companies, acquiring an auctioned goods for sale or developing a particular piece of land for residential and commercial purposes. This participation is called joint venture. Strictly speaking, a joint venture is a partnership though limited to a single business venture. As soon as the particular job (joint venture) for which they combined their capital and effort is completed, their relationship comes to an end. The profit or loss is shared as per their agreement. If no agreement is made regarding the division of profit, it will be divided equally among the participants. The relationship between the participants is called co-adventures. Thus the joint venture is like a temporary partnership without a firm name. It can also be said a particular partnership or partnership for a particular object.

(D) COMMERCIAL TERMS

- **Services:** A type of economic activity that is intangible is not stored and does not result in ownership. A service is consumed at the point of sale. Services are one of the two key components of economics, the other being goods. Examples of services

include the transfer of goods, such as the postal service delivering mail, and the use of expertise or experience, such as a person visiting a doctor.

- **E-Commerce:** E-commerce can be defined as a comprehensive electronic system of trading that uses networks of computers for buying and selling goods, information and services. These networks of computer may be private (accessible only to a select group) or public network like internet. E-commerce integrates various technologies such as E-mail, Electronic payment system (EPS), Bulletin Board system (BBS), World Wide Web (WWW), Electronic Forms; Electronic Data interchange (EDI) and similar technique in to electronic system of trading.
- **M-Commerce:** Mobile Commerce, or m-Commerce, is about the explosion of applications and services that are becoming accessible from Internet-enabled mobile devices. It involves new technologies, services and business models. It is quite different from traditional e-Commerce. Mobile phones impose very different constraints than desktop computers. But they also open the door to a slew of new applications and services. They follow you wherever you go, making it possible to look for a nearby restaurant, stay in touch with colleagues, or pay for items at a store.
- **Infrastructure:** The basic physical systems of a country's or community's population, including roads, utilities, water, sewage, etc. These systems are considered essential for enabling productivity in the economy. Infrastructure Developing often requires large initial investment, but the economies of scale tend to be significant.
- **Liberalization:** Liberalization means relaxation of various government restrictions in the areas of social and economic policies. Liberalizing trade policy by the government that is removal of tariff, subsidies and other restrictions on the flow of goods and services between countries is also termed as liberalization.

Liberalization is the result of New Industrial Policy which abolished the "License system". All industries except six major industries were liberalized. As a result industries grew rapidly and therefore liberalization also means deregulation and delicensing of industries.

- **Privatization:** Privatization is the process of inviting private sector to invest in public sector. It means disinvestment of funds in public sector and transferring of management rights to private sector. The government has given more freedom to private sector to run business according to their acumen. The government will provide all infrastructural facilities to private sector because government has realized its failure in successful operation of public sector.

Privatization has resulted in finishing government monopoly. On one hand privatization means transfer of ownership of public sector to private sector, on the

other hand privatization means opening of new units by private sector which were totally reserved for public sector only. In decent words, "Privatization means economic democracy."

- **Globalization:** The origin of globalization can be traced to the period of colonization in the 16th century. While globalization means many things to many people, one measure of globalization is the economic integration across the globe in terms of free movement of capital, technology, products, and people.

In this sense, however, globalization remains a myth. If foreign trade and capital flows signify globalization, the world has seen more globalization during 1870-1914 than what we experience today. During those days, capital, trade, and labour were all free to move from one country to another.

- **Profit:** A financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity. Any profit that is gained goes to the business's owners, who may or may not decide to spend it on the business.

The path toward profitability can be long. For example, online bookseller Amazon.com was founded in 1994 and did not produce its first annual profit until 2003. Many start ups and new businesses fail when the owners run out of capital to sustain the business.

- **Outstanding**

In accountancy the term outstanding is commonly used to mean amount which is yet to be paid or to be settled. Such unpaid amount becomes debt. Certain expenses which are not paid during the year but have been made by the business are called as outstanding expenses. Certain incomes which are to be received by the business, of whose sale has been incurred are outstanding income.

- **Bank assurance**

When a bank performs the function of acting as guarantor it is known as bank assurance. The bank can act as a guarantor in many cases like in export trade to give export performance guarantee, letter of credit, providing agency service, etc.

It is an assurance given by the bank on behalf of its client to the third party that it will fulfill its liability in case the client cannot perform.

- **Bancassurance**

'Bancassurance', is the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products.

BIM allows the insurance company to maintain smaller direct sales teams as their products are sold through the bank to bank customers by bank staff and employees as well.

Bank staff and tellers, rather than an insurance salesperson, become the point of sale/point of contact for the customer. Bank staff are advised and supported by the insurance company through product information, marketing campaigns and sales training.

Both the bank and insurance company share the commission. Insurance policies are processed and administered by the insurance company.

An arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the bank's client base. This partnership arrangement can be profitable for both companies. Banks can earn additional revenue by selling the insurance products, while insurance companies are able to expand their customer base without having to expand their sales forces or pay commissions to insurance agents or brokers.

Questions:

(1). State whether the following statements are true or false:

- a) A financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses is loss
- b) Innovation implies doing new things or doing of things that are already being done in a new way.
- c) Least resistance is a type of response in which an organization simply follows the demands of the environment as it is, without any aggression or strategy formulation.
- d) The various modes of transport i.e. road, rail, sea, air have created problems the growth of commerce and industries.
- e) Banks helps in overcoming financial problems.

Answers: (a) false (b) true (c) true (d) false (e) true

(2). Fill in the blanks with correct answers from the options.

- a) _____ is concerned with the making or manufacturing of goods (industry, service, business)
- b) _____ means relaxation of various government restrictions in the areas of social and economic policies (Liberalization, privatization, globalization)
- c) When a bank performs the function of acting as guarantor it is known as _____ (bancassurance, bank assurance., agent)
- d) In accountancy the term _____ is commonly used to mean amount which is yet to be paid or to be settled. (prepaid, outstanding, advance)
- e) _____ provides information that organizations need to manage themselves efficiently and effectively. (MIS, innovation , merger)

Answers: (a) industry (b) liberalization (c) bank assurance (d) outstanding (e) MIS

(3). Match the following:

COLUMN A	COLUMN B
k) Industry	11) Integration of world economy
l) Service	12) Buying and selling of goods
m) Experts	13) Primary or genetic
n) Globalization	14) A person recognized as a reliable source of skill for making judgments
o) Trade	15) Intangible

Answers: (a – 3) (b – 5) (c – 4) (d – 1) (e – 2)

(4). Essay-Type questions:

- a) What is commerce? Discuss the various branches of commerce
- b) Do you agree “Commerce embraces all those processes, which help to break the barriers between producers and consumers”
- c) What are the components of commerce?
- d) Classify commerce on the basis of its activities.
- e) What is MIS? How is it useful?
- f) What is the difference between outsourcing and offshoring?
- g) **Short notes:**
 - a) Bank assurance
 - b) Trade
 - c) Aids to trade
 - d) Merger
 - e) Innovation
 - f) Experts
 - g) Joint venture

CHAPTER 7

BUSINESS AND BASIC ACCOUNTING INFORMATION

- MEANING OF ACCOUNTING
- OBJECTIVES OF ACCOUNTING
- ACCOUNTING AS A SOURCE OF INFORMATION
- INTERNAL AND EXTERNAL USERS OF ACCOUNTING INFORMATION
- NEED OF ACCOUNTING INFORMATION
- FUNCTIONS OF ACCOUNTING
- BASIC ACCOUNTING TERMS
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

(A) ACCOUNTING

MEANING

Accounting is the analysis and interpretation of book-keeping records. It includes not only the maintenance of accounting records but also the preparation of financial and economic information which involves the measurement of transactions and other events relating to the entity.

Accounting is defined as "the art of recording, classifying and summarizing in terms of money transactions and events of financial character and interpreting the results thereof."

In simple words we can say that-

- Accounting is an art.....
- Of recording, classifying and summarizing.....
- In terms of money.....
- transactions and events of financial nature and
- Interpreting the results thereof.

Accounting is an art of correctly the day to day business transactions. It is a science of keeping the business records in a regular and most systematic manner so as to know the business results with minimum trouble. Therefore, it is said to be statistical procedure for the collection, classification and summarization of financial information.

"Accounting is a means of collecting, summarizing, analyzing and reporting in monetary terms, information about the business."

Now a days accounting is regarded as a "service activity". In 1970 the Accounting Principles Board of the American Institute of Certified Public Accountants enumerated that, "The function of accounting is to provide quantitative information, primarily of financial nature, about economic entities that is needed to be useful in making economic decisions."

OBJECTIVES OF ACCOUNTING

The following are the main objectives of accounting:

To keep systematic records:

Accounting is done to keep a systematic record of financial transactions. In the absence of accounting there would have been terrific burden on human memory which in most cases would have been impossible to bear.

To protect business properties:

Accounting provides protection to business properties from unjustified and unwarranted us. This is possible on account of accounting supplying the information to the manager or the proprietor.

To ascertain the operational profit or loss:

Accounting helps in ascertaining the net profit earned or loss suffered on account of carrying the business. This is done by keeping a proper record of revenues and expenses of a particular period. The profit and loss account is prepared at the end of a period and if the amount of revenue for the period is more than the expenditure incurred in earning that revenue, there is said to be a profit. In case the expenditure exceeds the revenue, there is said to be a loss.

To ascertain the financial position of business:

The profit and loss account gives the amount of profit or loss made by the business during a particular period. However, it is not enough. The businessman must know about his financial position i.e., where he stands; what he owes and what he owns? This objective is served by the balance sheet or position statement.

To facilitate rational decision making:

Accounting these days has taken upon itself the task of collection, analysis and reporting of information at the required points of time to the required levels of authority in order to facilitate rational decision making.

(B) ACCOUNTING AS A SOURCE OF INFORMATION

Accounting is a definite process of interlinked activities that begins with the identification of transactions and ends with the preparation of financial statements. Every step in the process of accounting generates information. Generation of information is not an end in itself. It is a means to facilitate the dissemination of information among various groups of users. Such information enables the parties those who are interested to take appropriate decisions. Therefore, dissemination of information is one of the essential functions of accounting. To be useful, the accounting information should ensure to:

- Provide information for making economic decisions;
- Serve the users who rely on financial statements as their principal source of information;
- Provide information useful for evaluating and predicting the timing, amount and uncertainty of potential cash-flows;
- Provide information for judging management's ability to utilize resources effectively in meeting goals; provide factual and interpretative information by disclosing underlying assumptions on matters subject to interpretation, evaluation, prediction, or estimation; and
- Provide information on activities affecting the society.

The role of an accountant in generating accounting information is to screen, observe and recognize transactions and events to measure and process them, and thereby compile reports comprising accounting information that are communicated to the users. These are then interpreted, decoded and used by management and other user groups. It must be ensured that the information provided is relevant, adequate and reliable for decision-making. The apparently divergent needs of internal and external users of accounting information have resulted in the development of sub-disciplines within the accounting discipline namely, financial accounting, cost accounting and management accounting. Financial accounting assists for keeping a systematic record of financial transactions the presentation and preparation of financial reports in order to arrive at a measure of organizational success and financial soundness.

It relates to the past period, serves the stewardship function and is monetary in nature. It is primarily concerned with the provision of financial information to all stakeholders. Cost accounting assists in analyzing the income and expenditure for ascertaining the cost of various products manufactured or services provided by the firm and fixation of prices thereof. It also helps to control the costs and providing necessary costing information to management for decision-making. Management accounting deals with the provision of required accounting information to people within the organization to enable them in planning, decision-making, and controlling business operations.

Management accounting draws the relevant information mainly from cost accounting and financial accounting which helps the management in budgeting, assessing profitability, taking pricing decisions, capital expenditure decisions and so on. Besides, it generates other information which relates to the future and is relevant for decision-making in the organization. Such information includes: cash flows, sales forecast, manpower needs, purchase requirement, environmental data about effects on water, air, land, natural resources, flora, fauna, social responsibilities, human health, etc. As a result, the scope of accounting has become so vast, that new areas like human resource accounting, social accounting, responsibility accounting have also gained prominence.

(C) USERS OF ACCOUNTING INFORMATION - INTERNAL & EXTERNAL

Accounting information helps users to make better financial decisions. Users of financial information may be both internal and external to the organization.

Internal users of accounting information include the following:

- **Management:** for analyzing the organization's performance and position and taking appropriate measures to improve the company results.
- **Employees:** for assessing company's profitability and its consequence on their future remuneration and job security.
- **Owners:** for analyzing the viability and profitability of their investment and determining any future course of action.

Accounting information is presented to internal users usually in the form of management accounts, budgets, forecasts and financial.

External users of accounting information include the following:

- **Creditor:** for determining the credit worthiness of the organization. Terms of credit are set according to the assessment of their customers' financial health. Creditors include suppliers as well as lenders of finance such as banks.
- **Tax Authorities:** for determining the credibility of the tax returns filed on behalf of the company.
- **Investors:** for analyzing the feasibility of investing in the company. Investors want to make sure they can earn a reasonable return on their investment before they commit any financial resources to the company.
- **Customers:** for assessing the financial position of its supplier which is necessary for a stable source of supply in the long term.
- **Regulatory Authorities:** for ensuring that the company's disclosure of accounting information is in accordance with the rules and regulations set in order to protect the interests of the stakeholders who rely on such information in forming their decisions.

External users are communicated accounting information usually in the form of financial statements. The purpose of financial statements is to cater for the needs of such diverse users of accounting information in order to assist them in making sound financial decisions.

THE MAIN ADVANTAGES/ NEEDS OF ACCOUNTING ARE:

Assistance to management: Accounting provides information to the management to enable it to do its work properly. Such information helps in the Planning, Decision making and controlling.

Comparative study: A systematic record enables a business to compare one year's results with those of other years and locate significant factors leading to the change if any.

Evidence in the court: Systematic record of transactions is often treated by the courts as good evidence.

Accounting is an art of recording financial transaction in a set of book; classifying in desired categories and summarizing the information for presentation in a suitable manner to the concerned persons for their benefit.

Accounting is also science in the sense that it comprises of rules, principles, concepts, conventions and standards. All these form body of knowledge which has recognitions all over the world. The term GAAP denotes generally accepted accounting principles. At present we have International Accounting Standards Committee also.

THE FUNCTIONS OF ACCOUNTING:

Recording:

This is the basic function of accounting. It is essentially concerned with not only ensuring that all business transactions of financial character are in fact recorded but also that they are recorded in an orderly manner. Recording is done in the book "Journal".

Classifying:

Classification is concerned with the systematic analysis of the recorded data, with a view to group transactions or entries of one nature at one place. The work of classification is done in the book termed as "Ledger".

Summarizing:

This involves presenting the classified data in a manner which is understandable and useful to the internal as well as external end-users of accounting statements. This process leads to the preparation of the following statements: (1) Trial Balance, (2) Income statement (3) Balance sheet.

Analysis and Interprets:

This is the final function of accounting. The recorded financial data is analyzed and interpreted in a manner that the end-users can make a meaningful judgment about the financial condition and profitability of the business operations. The data is also used for preparing the future plan and framing of policies for executing such plans.

Communicate:

The accounting information after being meaningfully analyzed and interpreted has to be communicated in a proper form and manner to the proper person. This is done through preparation and distribution of accounting reports, which include besides the usual income statement and the balance sheet, additional information in the form of accounting ratios, graphs, diagrams, funds flow statements etc.

(D)BASIC ACCOUNTING TERMS

Assets

These are economic resources of an enterprise that can be usefully expressed in monetary terms. Assets are things of value used by the business in its operations.

For example, Departmental Store owns a fleet of trucks, which is used by it for delivering food stuff; the trucks, thus, provides economic benefits to the enterprise. This item will be shown of the asset side of the balance sheet of Departmental Store. Assets can be broadly classified into two types: Fixed Assets and Current Assets.

- **Fixed Assets** are assets held on a long term basis, such as land, buildings, machinery, plant, furniture and fixtures. These assets are used for doing business and not for re-sale in normal course of operation.
- **Current Assets** are assets held on a short term basis such as debtors (account receivable), bills receivable (notes receivable), and stock (inventory), temporary investment in securities, cash and bank balances. Normally the short term refers to an accounting year.

Liabilities

These are the obligations or debts that the enterprise must pay in money or services at sometime in the future.

Therefore, represent creditors, claims against assets of the firms. Both small and big businesses find it necessary to borrow money at some time or the other, and to purchase goods on credit.

For example, super bazaar, purchases goods for Rs. 10,000 on credit for a month from Fast Foods Products Company on 25 December 2001. If the balance sheet of Departmental stores is prepared as at 31 December 2001, Fast Food Products Company will be shown as creditors (accounts payable) on the liabilities side of the balance sheet. If the departmental store also takes a loan for a period of three years from ABC Bank Ltd., this will be shown as a liability in the balance sheet of the Departmental Stores.

- **Long term liabilities** are those that are usually payable after a period of one year, for example, a term loan from financial institution or debentures (bonds) issued by the company.
- **Short term liabilities** are obligations that are payable within a period of one year, for example, creditors (accounts payable), bills payable (notes payable), cash credit overdraft from a bank for a short period.

Capital

Investment by the owners for the use in the firm is known as capital. From the accounting equation given earlier, it can easily be found that the capital is Rs.40,000. Owner's equity is

the ownership claim on total assets. It is equal to total assets minus total external liabilities: $E=A-L$ this is also called residual interest. Owner's equity is equal to capital.

Expenses

These are costs incurred by a business in the process of earning revenues. Generally, expenses are measured by the cost of assets consumed or services used during an accounting period.

The usual items of expenses are: depreciation, rent, wages, salary, interest, costs of heat, light and water, telephone, etc.

Expenditure

Expenditure is the amount of resources consumed. Usually, it is of long term in nature. Therefore, its benefit is to be derived in future. *For example:* capital expenditure.

Income

Income is the increase in the net worth of the organization either from business activity or other activities. Income is a comprehensive term, which includes profit also. In accounting income is the positive change in the wealth of the firm over a period of time.

Revenues

These are the amounts the business earns by selling its products or providing services to customers. These are called 'sales revenues'. Other items and sources of revenues common to many businesses are: sales, fees, commission, interest, dividends, royalties, rent received, etc.

Debtors/Accounts Receivable

Debtors (accounts receivable) are persons and/or other entities who owe to an enterprise an amount for receiving goods and services on the credit. The total amount due from such persons and/or entities on the closing date is shown in the balance sheet as the sundry debtors (accounts receivables) on the asset side.

Creditors/Accounts Payable

Creditors (accounts payable) are persons and/or other entities who have to be paid by an enterprise an amount for providing the enterprise goods and/or services on credit. The total amount standing due to such persons and/or entities on the closing date is shown on the balance sheet as sundry creditors (accounts payable) on the liability side.

Drawings

It is the amount of cash or other assets withdrawn by the owner for his personal use.

Stock

Stock (inventory) is a measure of something on hand-goods, spares and other items-in a business. It is called stock on hand.

In a trading concern, the stock on hand is the amount of goods which have not been sold on the date on which the balance sheet is prepared. This is also called closing stock (ending inventory). In a manufacturing company, closing stock comprises raw materials, semi-finished goods and finished goods on hand on the closing date.

Similarly, opening stock (beginning inventory) is the amount of stock at the beginning of the accounting year.

Transactions

It is an economic event that relates to a business entity. It can be a purchase of goods, collection of money, payment to creditors for goods and expenses. An event to be a transaction must possess the quality of economic substance, relate to business and affect the economic results. In other words, an event must be capable of being measured in monetary terms and related to business enterprise in terms of economic consequence.

Voucher

It is a piece of evidence, which proves that a certain event or transaction is carried out. Voucher can be in three different forms. These are mentioned below:

- Proof: Vouchers are a proof that specific transaction has been carried and the audit trail of transaction is available in the relevant books of the entity
- Written record: Voucher is often a written record for an expense, or a completed transaction, and it is properly recorded
- Written authorization: Voucher is often a written authorization that establishes the fact that voucher holder is entitled to the amount of the money mentioned on the voucher (in case of a cash voucher) or voucher holder is entitled to spend the mentioned amount of money on the future expenditures (in case of a credit voucher)

Goods

Items held for sale in the regular course of business, as in a retail store.

GOODS, property. For some purposes this term includes money, valuable securities, and other mere personal effects. The term goods and chattels, include not only personal property in possession, but also choses in action.

Goods are said to be of different kinds, as adventitious, such as are given or arise otherwise than by succession; dotal goods, or those which accrue from a dowry, or marriage portion; vacant goods, those which are abandoned or left at large.

Questions:**(1). State whether the following statements are true or false:**

- a) Accounting is the analysis and interpretation of book-keeping records.
- b) Accounting is done to keep a systematic record of physical transactions.
- c) Accounting is a means of collecting, summarizing, analyzing and reporting in monetary terms, information about the business.
- d) Accounting information misguides users in making better financial decisions
- e) Income is the increase in the net worth of the organization either from business activity or other activities.

Answers: (a) true (b) false (c) true (d) false (e) true

(2). Fill in the blanks with correct answers from the options.

- a) _____ is the amount of cash or other assets withdrawn by the owner for his personal use. (capital, drawing, asset)
- b) _____ stock is the amount of stock at the beginning of the accounting year.(closing, opening, work in progress)
- c) _____ is the basic function of accounting. (recording, analysis, classification)
- d) Investment by the owners for the use in the firm is known as_____.(capital, drawing, asset)
- e) _____ are those that are usually payable after a period of one year(short term liabilities, long term liabilities, medium term liabilities)

Answers: (a) drawing (b) opening (c) recording (d) capital (e) long term liabilities

(3). Match the following:

COLUMN A	COLUMN B
p) Voucher	16) Plant and machinery
q) Asset	17) Short term lenders
r) Transaction	18) Document

s) Debtors	19) Purchase of fixed asset
t) Capital Expenditure	20) Exchange of money

Answers: (a – 3) (b – 1) (c – 5) (d – 2) (e – 4)

(4). Essay-Type questions:

- a) “Management accounting draws the relevant information mainly from cost accounting and financial accounting which helps the management in budgeting, assessing profitability, taking pricing decisions, capital expenditure decisions and so on.”
Discuss
- b) What is accounting? Give the main objectives of accounting.
- c) Who are the internal and external users of accounting?
- d) How is accounting information useful?
- e) What are the functions of accounting?
- f) Explain in detail assets and liabilities.
- g) What are the advantages and functions of accounting information?

h) Short notes:

- a) Types of Assets
- b) Liabilities
- c) Stock
- d) Types of voucher
- e) External users of accounting
- f) Need of accounting

CHAPTER 8

BASIC ECONOMIC CHALLENGES I

POVERTY

- MEANING AND CONCEPT OF POVERTY
- ABSOLUTE POVERTY
- RELATIVE POVERTY
- MEANING OF POVERTY ALLEVIATION
- MAIN PROGRAMMES FOR POVERTY ALLEVIATION
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

MEANING AND CONCEPT OF POVERTY

The Indian social system is based on a strong social hierarchy in the form of birth castes. Social class, too, is apparent through money power. The poor and their poverty continue to attract and repel alternatively politicians, social scientists, religious groups. Though poverty is a universal phenomenon, it's expressed through the poverty line which is different in different nations. In India 35.97% people have been estimated to live below the poverty line.

Poverty is a negative term but relative term denoting absence or lack of material wealth to fulfill one's needs.

Poverty tends to be characterized by the denial of rights as well as material insufficiency. It may seem paradoxical that many people do not wish to improve their current condition either due to their lack of awareness of societal policies or religious beliefs or prolonged deprivation conditioning or personal reasons. Here is another attempt to define poverty, keeping psychological and political, economic and cultural factors in view. Poverty is a state of want of subjective and objective means and opportunities to develop and utilize potential of the individual to minimized sense of being left behind. Thus subjective articulation and objective measures are applied onto the persons to be designated as poor. A health condition, to any caste, creed or religion, to any part of the country, may belong to any political affiliation, to any educational background or to any occupation. One thing is, however, universal that poverty divides families, and forces children to work.

CAUSES:

There are numerous causes of poverty which operate in a vicious circle. These could be divided into two groups broadly: chronic or prolonged and acute or critical. **The caste system** in India is a traditional drag on society since early times. Some castes seem to suffer from a feeling that all human beings are not equal. This superiority complex among some castes has brought a situation in which the untouchables are the poorest among the poor and suffer as bonded labor, child labor and prostitution.

It was only after independence that the government carried out certain legal reforms to abolish untouchability and to reserve seats in schools and colleges for the scheduled and backward communities. The major part of the benefits has, however, been grabbed by a few privileged Scheduled castes and Scheduled tribes. The poorest still remain poor.

- a) Repeated draught, floods or other **natural calamities** rendering people in poor health, beggary, prostitution, crime or migrating options. A family may be a victim of chronic poverty on account of the absence of the earning member or fatal illness of any of its members.
- b) Fire, theft, conflict, loss in business, agriculture or job, steep rise in prices of commodities, and **underemployment** are some of the critical reasons of poverty.
- c) Recently the suicides by farmers in Andhra Pradesh and Maharashtra have been attributed to losses in crops.
- d) However, deprivation, exploitation, denial and refusal by few, neglect and **social injustice** are still prevalent in the roots of society. The term minimization appears better and more practicable than elimination in regard to poverty, because there is no limit to wealth acquisition and it is changeable over a period of time, two approaches could be thought of poverty minimization-community-based as well as individual-based programmes.

If the poverty-invaded area has people of different backgrounds, the needs would be different. Hence first of all a needs assessment should be undertaken employing nay suitable technique. The needs of everyone should be related to pay loans, to buy instruments, seeds or fertilizers, to buy animals like buffaloes/cows. The entrants to the programme may require monetary help to repair his house damaged by rain or earthquake. He/she may need financial help to send a baby to the school or may have to marry his grown-up son/daughter.

Generally few conditions may be enforced before helping such individuals and communities. They should follow the norm of two children per family if they are in the reproductive age. The addicts should be advised to seek the treatment. Some help in getting such treatment should be undertaken.

The Government of India has been aware a since about eradicating poverty.

Zamindari abolition, stopping the privy purses, land consolidation and land ceilings, abolition of untouchability, provision of subsidies on agricultural inputs, on cottage industries, and food stuffs distributed through fair price shops, reservations for scheduled castes and schedules tribes, women, disabled and many other specific poverty-elimination programmes are all exemplary actions taken by the government.

ABSOLUTE POVERTY

Absolute poverty is synonymous with destitution and occurs when people cannot obtain adequate resources (measured in terms of calories or nutrition) to support a minimum level of physical health. Absolute poverty means about the same everywhere, and can be eradicated as demonstrated by some countries.

RELATIVE POVERTY

Relative poverty occurs when people do not enjoy a certain minimum level of living standards as determined by a government (and enjoyed by the bulk of the population) that vary from country to country, sometimes within the same country. Relative poverty occurs everywhere, is said to be increasing, and may never be eradicated.

POVERTY ALLEVIATION

Poverty reduction (or poverty alleviation) is any process which seeks to reduce the level of poverty in a community, or amongst a group of people or countries. Poverty reduction programs may be aimed at economic or non-economic poverty. Some of the popular methods used are education, economic development, and income redistribution. Poverty reduction efforts may also be aimed at removing social and legal barriers to income growth among the poor.

POVERTY ALLEVIATION PROGRAMMES

Jawhar Gram SamridhiYojna

The JawaharRozgarYojana (JRY) has been recast as the Jawahar Gram SamridhiYojana (JGSY) with effect from 1.4.1999 to impart a thrust to creation of rural infrastructure. While the JRY resulted in creation of durable assets, the overriding priority of the programme was the creation of wage employment. It was felt that a stage had come when rural infrastructure needed to be taken up in a planned manner and given priority. The Gram Panchayats can effectively determine their infrastructure needs and the responsibility of implementing the programme has been entrusted to the Gram Panchayats. The funds are directly released to the Gram Panchayats by the DRDAs/ZillaParishads. The JGSY is implemented as a CSS with funding in the ratio of 75:25 between the Centre and the States.

This programme was later called johararozgaryojana then got changed to Jawaharlal Nehru .It was started on 1 April 1999. The main aim of this programme was development of rural areas. Infrastructure like roads to connect the village to different area, which made the village more accessible and also other social, educational (schools) and infrastructure like hospitals. Its secondary objective was to give out sustained wage employment. This was only given to BPL (below the poverty line) families and was to be spent for individual beneficiary schemes for SCs and ST's and 3% for establishment of barrier free infrastructure for the disabled people. The village panchayats were one of the main governing bodies of this programme. There it did not feel like an outsider was controlling it, the village panchayats were a part of the people and understood their needs. Th000 1841.80 crore was used and they had a target of 8.57 lakh works, 5.07 lakh works were completed during 1999-2000.

National Old Age Pension Scheme (NOAPS)

Old age pension of Rs.75 per month, per beneficiary is provided to person of 65 years and above who is a destitute in the sense of having little or no regular means of subsistence from his/her own sources of income or through support from family members or other sources. In order to determine destitution, the criteria, if any, currently in force in the States/UTs may also be followed.

National family Benefit Scheme (NFBS)

This scheme was started in August 1995 by GOI. This scheme is sponsored by the state government. It was transferred to the state sector scheme after 2002-03. It is under the community and rural department. This scheme provides a sum of 10000Rs to a person of a family who become the head of the family after the death of its primary breadwinner. A breadwinner is a person who is above 18 who earns the most for the family and the family survives on his/her earnings. It is for families below the poverty line.

National Maternity Benefit Scheme

This scheme provides a sum of 500 Rs to a pregnant mother for the first two live births. The women have to be older than 19 years of age. It is given normally 12–8 weeks before the birth and in case of the death of the child the women can still avail it.

The NSAP is implemented by states and union territories with the help of panchayats and municipalities. During 1999–2000 the total allocation of funds for this scheme was 767.05 crores and the amount used was Rs 596.99 crores.

Annapurna

In 1999-2000, the Government had announced the launching of a new scheme 'Annapurna' to provide food security to those indigent senior citizens who are not covered under the Targeted Public Distribution System (TPDS) and who have no income of their own and none to take care of them in the village. 'Annapurna' will provide 10 kg. of food grains per month free of cost to all such persons who are eligible for old age pensions but are presently not receiving it and whose children are not residing in the same village. The Gram Panchayats would be required to identify, prepare and display a list of such persons after giving wide publicity. A Central allocation of Rs.100.00 crore has been earmarked for the scheme in 2000-01.

Rural Housing-Indira AwaasYojana(IAY)

This scheme aimed at creating housing for everyone. It aimed at creating 20 lakh housing units out of which 13lakhs were in rural area. This scheme also would give out loans to people at subsidized rates to make houses .It was started in 1999-2000. In 1999-2000 1438.39 croreRs was used for this scheme and about 7.98 lakh units were built. In 2000-01 a central outlay of 1710.00 croresRs was provided for this scheme.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

Started in 2005, this scheme guarantees 100 days of paid work to people in the rural areas. The scheme has proved to be a major boost in Indian rural population's income.

Swarnjayanti Gram SwarozgarYojana (SGSY)

The single self-employment programme of Swarnjayanti Gram SwarozgarYojana (SGSY), launched with effect from 1.4.1999, has been conceived keeping in view the strengths and weaknesses of the earlier schemes of Integrated Rural Development Programme (IRDP) and Allied Programmes along with Million Wells Scheme (MWS). The objective of restructuring

was to make the programme more effective in providing sustainable incomes through micro enterprises. The SGSY lays emphasis on the following:

- Focused approach to poverty alleviation.
- Capitalising advantages of group lending.
- Overcoming the problems associated with multiplicity of programmes.

Employment Assurance Scheme (EAS)

The Employment Assurance Scheme (EAS) was launched on 2nd October, 1993 in 1772 identified backward blocks of 257 districts situated in drought prone, desert and tribal and hill areas where the Revamped Public Distribution System (RPDS) was in operation. The programme was subsequently extended to more blocks and thereafter was universalised. It is, presently, being implemented in all the 5448 rural blocks of the country. The EAS was restructured w.e.f. 1999-2000 to make it the single wage employment programme.

National Social Assistance Programme (Nsap)

The NSAP was launched with effect from 15th August, 1995 as a 100 per cent Centrally Sponsored Scheme with the aim to provide social assistance benefit to poor households in the case of old age, death of primary breadwinner and maternity. This represents a significant step towards the fulfillment of the Directive Principles in Articles 41 & 42 of the Constitution. The programme supplements the efforts of the State Governments with the objective of ensuring minimum national levels of well being and the Central assistance is an addition to the benefit that the States are already providing on Social Protection Schemes or may provide in future. The provision of Central assistance seeks to ensure that social protection to beneficiaries is uniformly available.

Rural Housing – Indira Awaas Yojana (Iay)

In the Ninth Plan, the Special Action Plan for Social Infrastructure has identified 'Housing' as one of the priority areas. It aims at providing 'Housing for All' and facilitates construction of 20 lakh additional dwelling units, of which 13 lakh dwelling units are to be constructed in rural areas. The composite housing strategy for the Ninth Plan is a multi-pronged strategy which has been operationalised w.e.f. 1999-2000.

The Indira Awaas Yojana (IAY) will continue to be major scheme for construction of houses to be given to the poor, free of cost. However, an additional component has been added, namely, conversion of unserviceable kutcha houses to semi pucca houses. From 1999-2000, the criteria for allocation of funds to States/UTs under IAY has been changed to 50 per cent poverty ratio and 50 per cent housing shortage in the State. Similarly, the criteria for allocation of funds to a district in a State has been changed to the SC/ST population and housing shortage, with equal weightage to each of them.

AREA DEVELOPMENT PROGRAMMES:

Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) And Integrated Wastelands Development Programme (IWDP)

The Drought Prone Area Programme (DPAP), Desert Development Programme (DDP) and Integrated Wastelands Development Programme (IWDP) are being implemented with effect from 1.4.1995 on a watershed basis, as per the recommendations of the Technical Committee on DPAP and DDP headed by Dr. C.H. Hanumantha Rao. The common guidelines for

Watershed Development provide for a uniform strategy in the implementation of all area development programmes

- Area development programmes to be implemented exclusively on watershed Basis.
- Programmes and activities to be confined to the identified watershed of about 500 hectares and are to be executed on a project basis spanning over a period of four to five years.
- Watershed project to cover a village, as far as possible.
- Elaborate institutional mechanism at various levels clearly defined for effective participation of the local people and the PRIs in all stages of project management.
- DRDA/ZP to be the nodal Government agency at the district level to act as a facilitator and provider of finances and technical assistance to the people's organisations executing the watershed projects.

Drought Prone Area Programme (DPAP)

DPAP aims at to minimise the adverse effects of drought on production of crops and livestock and productivity of land, water and human resources ultimately leading to the drought proofing of the affected areas. It also aims at promoting overall economic development and improving the socio-economic conditions of the resource poor and disadvantaged sections inhabiting the programme areas. The DPAP is in operation in 947 blocks of 161 districts in 13 States. Under DPAP, Rs.89.44 crore has been spent during 1999-2000. For 2000-01, the Central outlay of Rs.190.00 crore has been provided for DPAP as against Rs.95.00 crore in 1999-2000.

Desert Development Programme (DDP)

DDP has been envisaged as an essentially land based activity and conceived as a long term measure for restoration of ecological balance by conserving, developing and harnessing land, water, livestock and human resources. The main objectives of this programme are: (i) combating drought and desertification; (ii) encouraging restoration of ecological balance; (iii) mitigating the adverse effects of drought and adverse edapho-climatic conditions on crops and livestock and productivity of land, water and human resources; (iv) promoting economic development of village community; and (v) improving socio economic conditions of the resource poor and disadvantaged sections of village community viz; assetless and women.

Integrated Wastelands Development Programme (IWDP)

IWDP has been under implementation since 1989-90 wherein wastelands are being developed with the active participation of stakeholders i.e. user groups, self help groups and PRIs. Here, the projects are sanctioned in favour of DRDAs/ZPs for the period of five years. The projects are implemented through the Project Implementing Agencies (PIAs) which can be a Line Department or a reputed NGO having sufficient experience in the field of watershed development. The programme is implemented all over the country.

Questions:

(1). State whether the following statements are true or false:

- a) Though poverty is a universal phenomenon, it's expressed through the poverty line which is different in different nations
- b) Universal poverty is synonymous with destitution and occurs when people cannot obtain adequate resources
- c) The NSAP was launched with effect from 15th August, 1995 as a 100 per cent privately Sponsored Scheme
- d) DDP has been envisaged as an essentially land based activity and conceived as a long term measure for restoration of ecological balance
- e) The caste system in India is a traditional drag on society since early times.

Answers: (a) true (b) false (c) false (d) true (e) true

(2). Fill in the blanks with correct answers from the options.

- a) Poverty in urban India is _____ as compared to poverty in rural India. (equal , less , more)
- b) Government has announced the launching of _____ scheme to provide food security to those indigent senior citizens who have no income of their own and none to take care of them in the village. (Annapurna, IWDP, Swarnjayanti Gram Swarozgar Yojana)
- c) _____ is any process which seeks to reduce the level of poverty in a community (employment, poverty alleviation, destitution)
- d) A _____ is a person who is above 18 years of age , who earns the most for the family and the family survives on his/her earnings (parent, breadwinner, sibling)
- e) _____ poverty occurs when people do not enjoy a certain minimum level of living standards as determined by a government (absolute, Relative, universal)

Answers: (a) less (b) Annapurna (c) poverty alleviation (d) breadwinner (e) relative

(3). Match the following:

COLUMN A	COLUMN B
a) Poverty	21) Indira Awaas Yojana
b) Stop desertification	22) MGNREGA
c) develop rural infrastructure	23) Socio economic problem

d) Generation of employment	24) Jawhar gram samridhi Yojna
e) Provide rural housing	25) Desert development programme

Answers: (a – 3) (b – 5) (c – 4) (d – 2) (e – 1)

(4). Essay-Type questions:

- a) What is poverty? Explain the consequences of poverty in India
- b) Explain any 4 schemes introduced by the government of India to reduce poverty
- c) Critically evaluate the poverty alleviation schemes.
- d) Discuss the concept of poverty by explaining absolute and relative poverty
- e) Explain the effects of poverty.

f) Short notes:

- a) Causes of poverty
- b) Absolute and relative poverty
- c) Poverty alleviation programmes

CHAPTER 9

BASIC ECONOMIC CHALLENGES II

RURAL DEVELOPMENT

- MEANING OF RURAL DEVELOPMENT
- KEY ISSUES IN RURAL DEVELOPMENT
- CREDIT AND MARKETING COOPERATIVES
- ALTERNATIVES TO FARMING
- ORGANIC FARMING
- GLOBAL AND INDIAN ORGANIC MARKET
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

(A) RURAL DEVELOPMENT

There is no universally accepted definition of rural development. The term is used in different ways in vastly divergent contexts. As a concept, it connotes overall development of rural areas with a view to improve the quality of life rural people. As a phenomenon, it is the result of various physical, technological, economic, socio-cultural and institutional factors. As a discipline, it is multi-disciplinary in nature representing an intersection of agricultural, social, behavioural and management of sciences.

In short, rural development is a process that aims at improving the standard of living of the people living in the rural areas.

Rural development may be defined as overall development of rural areas to improve the quality of life of rural people. It is an integrated process, which includes social, economical, political and spiritual development of the poorer sections of the society.

Rural development can be defined as, helping rural people set the priorities in their own communities through effective and democratic bodies, by providing the local capacity; investment in basic infrastructure and social services, justice, equity and security, dealing with the injustices of the past and ensuring safety and security of the rural population, especially that of women.

According to Robert chambers, rural development is a strategy to enable a specific group of people, poor rural women and men, to gain for themselves, and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants and the landless.

Thus, the term rural development may be used to imply any one of the above-mentioned connotations. To avoid ineffective floundering among the myriad definitions, we shall define rural development as A Process leading to sustainable improvement in the quality of life of rural people, especially the poor

Rural Development in general and poverty alleviation and employment generation in particular, are the biggest challenges before the planners and policy makers of India. Despite launching numerous programmes and schemes and even by pumping crores of rupees for poverty alleviation and employment generation, the overall picture of rural India continues to decline.

Even the turn of the century. Rural India is marked by high incidence of poverty and considerable unemployment. Due to these two mega problems life in rural India is still miserable. We can still find there widespread disease, high number of illiterates, prevalent malnutrition among children, women and masses at large, existence of miserable rural infrastructure like roads, electricity, primary health, drinking water, lack of irrigation facilities and hell lot of socio-economic and political problems.

India is predominantly an agrarian country. Therefore 80% of India's population lives in villages. Hence it becomes important that proportionate amount of attention and funds be spent for betterment of the rural folk. But inspite of their being in majority, they have been lagging behind in the fields of education, civic amenities, medical facilities and economic well being. So the Government of India realize the need of improvement of condition of rural people. Many programmes and projects for the upliftment of rural folk have been started.

One of the earliest steps taken was to bring about the Community Development Programme which was started in 1952. Its purpose was to ensure the supply of improved high quality seeds, modern implements and chemical manures to farmers. Also irrigation facilities were improved, facilities were provided for the upliftment of livestock and small-scale village industries. Ministry of Rural Reconstruction was formed in August 1979 whose major task was in the field of rural development.

Besides this another programme i.e. Integrated Rural Development Programme (IRDP) has been launched by Government in 1979. It aims at creating additional employment and raising the income levels of the identified target groups, consisting of marginal and small farmers, agricultural labourers, small artisans, and persons belonging to scheduled castes and tribes. To start with the programme was sought to be taken up in such blocks where necessary infrastructure already existed. The launching of this programme was widely welcomed as a better deal for the rural poor.

Under IRDP there were further smaller agencies like Small Farmers Development Agency (SFDA). The Drought Prone Areas Programme (DPAP), Command Area Development (CAD), Desert Development Programme (DDP) which all aimed at rural upliftment. Under this programme of upliftment, mahajani debts of small and marginal cultivators and agricultural labourers have been written off. The bonded labour has been freed. House sites have been made available for the rural poor. Surplus land has been distributed among the landless and the small farmers. Schemes like Training of Rural Youth for Self Employment (TRYSEM) were started and priority was given to youth trained under this scheme to obtain IRDP loan.

The programmes were also assisted internationally e.g. USA has been giving liberal loans for projects which have been initiated in the villages. Besides economic scheme, a rural health scheme was launched in the country, which aimed at training of community health workers. Another important programme, "Operation Flood" v/as launched in July 1970, with the

assistance of World Food Programme (WFP) to bring about a real breakthrough in milk production. This programme ensured a link between the rural milk producers and urban milk processing plants.

Several other steps have also been taken for rural upliftment. Agricultural incomes have been exempted from income tax and wealth tax. Zamindari system has been abolished. Recently JawaharRojgarYojna has been launched from 26th April, 1989. Under this scheme 30% of the employment to be generated would be reserved for women; at least one member of the poor family in the rural areas for 50-100 days in a year will be provided employment near his or her residence.

So in all, there are many such programmes aiming at the rural upliftment, but what all -they need is proper infrastructure and a proper system of monitoring and evaluation. Then, there is no doubt that socio-economic reforms can uplift the rural masses from their present position. Although it is a challenging task, but not impossible.

KEY ISSUES

Government has recognized the need to develop rural entrepreneurship since independence. Various five-year plans have emphasized the need to develop rural entrepreneurship because of umpteen benefits given away by the rural industrialization. Creation of employment, dispersal of income equitably, utilization of resources etc. is possible if our rural industries develops. In spite of efforts made by government, the growth of rural entrepreneurs is not very healthy. We can attribute its reasons to the following factors:

- (i) Lack of infrastructural facilities ;
- (ii) Non-supportive attitude of financial institutions which works more on papers. The procedure to avail the loan facility is so time consuming that its delay often disappoints the entrepreneurs.
- (iii) Lack of technical know-how;
- (iv) Lack of communication facilities and market information. Information technology has penetrated into rural areas through Internet but rural areas have hardly availed its benefits.
- (v) Lack of warehousing facilities. The dilapidated condition of industrial estates proves it and location of these houses hasn't been proper.
- (vi) Incentives offered are many. Banks do provide concessional loans but their rules are very rigid. Their reluctance to grant loans for the working capital adds to the problems of the rural entrepreneurs.
- (vii) Lack of Quality management.

According to Ninth Plan, the major problems faced in developing entrepreneurship in rural areas are :

- (i) Inadequate flow of credit.

(ii) Use of obsolete technology, machinery and equipment.

(iii) Poor quality standards.

(iv) Inadequate infrastructural facilities.

Thus we see that rural industrialization is important for the country's prosperity since India lives in villages. Development of village industries in rural areas is the solution to alleviate rural poverty. Such industries are an integral part of the village economy and help in the upliftment of rural masses through diversification of their occupational base.

(B) CREDIT AND MARKETING CO-OPERATIVES

Cooperatives play an important role in the socio-economic development of the people of our country. The cooperative movement in India, particularly in Tamil Nadu, has taken deep roots in various sectors and is making a significant contribution towards economic development and social progress of the people.

The importance that this Government attaches to the cooperatives is evident from the fact that two out of the three sterling schemes of the government for which orders were issued by the Hon'ble Chief Minister in the presence of public on the very same day of assuming office on 13.05.2006 relate to the cooperation department. The order of the government waiving all cooperative farm loans and interest thereon outstanding as on 31.3.2006 amounting to Rs.6866 crores to provide debt relief to a large number of farmers who have suffered on account of successive natural calamities is an unprecedented step that no other government has done for the farmers. Similarly the scheme of distributing rice at Rs.2 per kg is implemented through 26,429 fair price shops run by the cooperatives. The government have entrusted the major responsibility of the successful implementation of these two schemes to the cooperatives and this reflects the faith that the government has on the role played by the cooperatives in the developmental process.

COOPERATIVE CREDIT

The cooperation department is mainly concerned with agricultural credit, market agricultural produce, distribute fertilizers and essential commodities and with the legal framework which governs the functioning of all cooperatives in the state of Tamil Nadu. The objective of the department is therefore to enable all the cooperatives that come within its fold to deliver services to the satisfaction of their members and public, to facilitate the functioning and the growth of all cooperatives.

The programme for the disbursement of loans by the cooperative societies for the year 2008-09 is given below.

Sl.No	Loans	(Rs. in Crores)
1.	Short term loans	1500
2.	Medium term loans	126.00
3.	Long term agricultural loans	100.00
4.	Jewel loans	8487.78

5.	Non-farm sector loans and other loans	579.60
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The activities of the cooperative societies in these schemes are furnished in detail in the following chapters.

Cooperative Credit Structure and its Performance

Cooperative credit institutions were evolved mainly to check the usurious practices of the moneylenders and to provide loans to various sections of the population. The short-term rural credit structure consists of three tiers with Tamil Nadu State Apex Cooperative Bank at the state level, district central cooperative banks at the district level and primary agricultural cooperative banks at the village level. The long-term credit structure consists of Tamil Nadu Cooperative State Agriculture and Rural Development Bank at the state level and primary cooperative agriculture and rural development banks at the Taluk / Block level. The cooperative urban banks provide banking services to the people in the towns and cities.

MARKETING COOPERATIVES

Marketing cooperatives help to sell their members' farm products and maximize the return that they receive for these goods. Their operations can be quite diversified and complex. Some marketing cooperatives perform a limited number of functions, while others vertically integrate their operations so that they perform more functions that add value to their members' products as they move from the farm to the consumer. Some cooperatives even sell products in grocery stores under their own brand name; Land O' Lakes and Ocean Spray are two prominent examples. Marketing cooperatives can serve their members in many ways, including bargaining for better prices, storing and selling members' grain, and processing farm products into more consumer-ready goods. In the United States, agricultural cooperatives handle about 30 percent of farmers' total farm marketing volume (Mather et al.)

(C) ALTERNATIVES TO FARMING

Rural non-farm economy, in recent times, is considered as an effectual strategy for decentralization of economic activities to rural India. The Economic Census of India estimates that around 41.89 million rural people are employed in non-agricultural establishments which registered a growth rate of 4.56 % during 1998-2005. However, the sector has been contending with a number of factors like inadequate rural infrastructure, particularly roads, electricity and communication facilities, lack of sufficient skilled labour and adequate access to credit, information and training facilities etc. The present study investigates the strengths and weaknesses of the rural-non-farm-sector of India analyzing the structure and growth of rural-non-farm-sector and its' trends towards employment and income generation to arrive at certain inferences like formulation of possible approaches with a view to promote rural-non-farm-sector self-sustaining in the changing competitive environment.

The RNFS in India is too diverse in respect of activities, unit size and geographic dispersal. Further, it does not consist of a homogenous set of activities in terms of income and productivity levels. The RNFS is classified into three major sub-sectors (Saxena, 2004). The first sub-sector consists of enterprises that are run on more or less stable basis with target on the surplus generation and growth, employing labour with certain degree of technical sophistication. The second sub-sector consists of products or activities, which are often seasonal, run solely with the help of unpaid family labour, using primitive technology and catering mostly to the local market. These two sub-sectors can be differentiated in terms of capital use rather than product categories. The third sub-sector consists of paid workers characterized by low earnings and a disintegrated market with respect to labour supply. As per the Economic Census 2005, the total non-agricultural establishments accounted for about 17.855 million in the country, whereas 19.83 million were situated in rural areas. Out of 19.83 million non-agricultural establishments located in the rural area, 13.26 million (66.89 %) were own-account establishments and remaining 6.56 million (33.11 %) were establishments with hired workers (Table 1). Non-agricultural and agricultural establishments registered a growth rate of 4.56 and 8.62 % respectively during 1998-2005 (Figure 1). The data suggests that with the major share of non-agricultural activities, the growing rural labour force can successfully be absorbed as RNFS workers generating supplementary income for better economic growth of the rural community. Retail trade (39.28 %) was the dominant activity followed by manufacturing (26.02 %) and other community, social and personal service (8.15 %) of the non-farm establishments. Sector-wise distribution of different rural non-farm sectors in rural India has been depicted in Figure 2.

Table 1: Non-agricultural establishments and employment in rural India in 1998 and 2005

Own account establishments				Establishments with hired workers				
No. of establishments	Employment			No. of establishments	Employment			
	Total	Female	Child		Total	Hired	Female	Child
Economic Census 1998								
107145	158121	30112	6002	37923	179557	156085	38522	4707
	(1.5)	(19.0)	(3.8)		(4.7)	(86.9)	(21.5)	(2.6)
Economic Census 2005								
13262173	17302128	3216655	326967	6564894	24592025	21122316	5981652	700709
	(1.3)	(18.6)	(1.9)		(3.8)	(85.9)	(24.3)	(2.9)

Note: Figures are in absolute number. Figures in single and double brackets indicate average number of persons per establishment and percentage of female / hired worker to total employment respectively.

Source: Economic Census All-India Report (2005), Govt. of India, Ministry of Statistics and Programme Implementation.

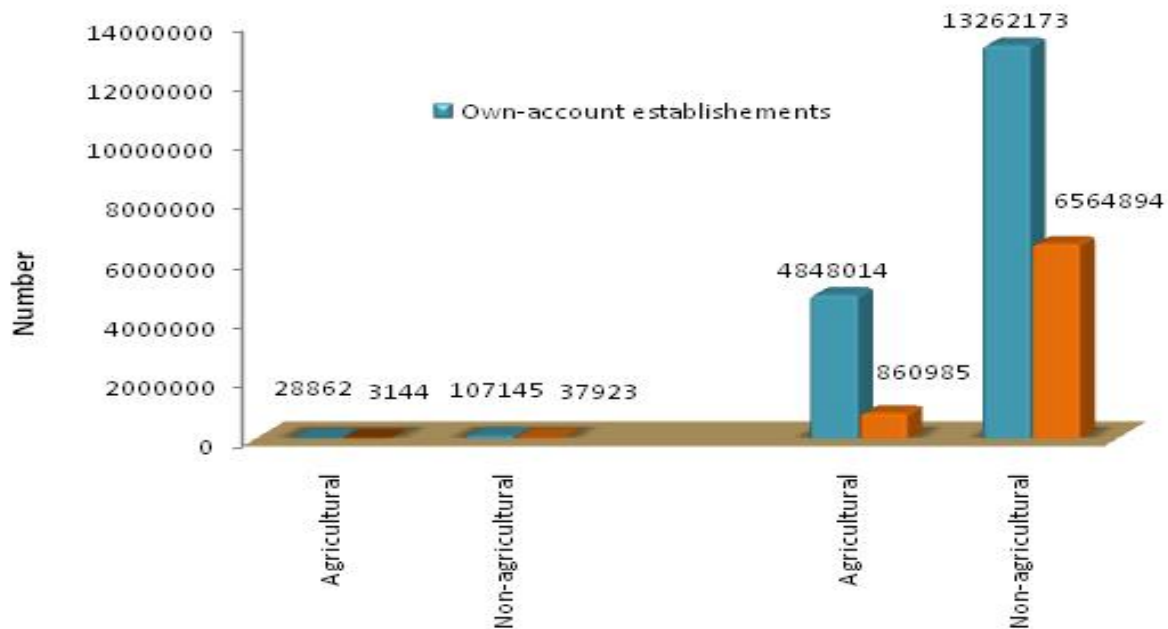


Fig 1: Distribution of enterprises in rural India during 1998 and 2005

Source: Economic Census All-India Report (1998; 2005), Govt. of India, Ministry of Statistics and Programme Implementation.

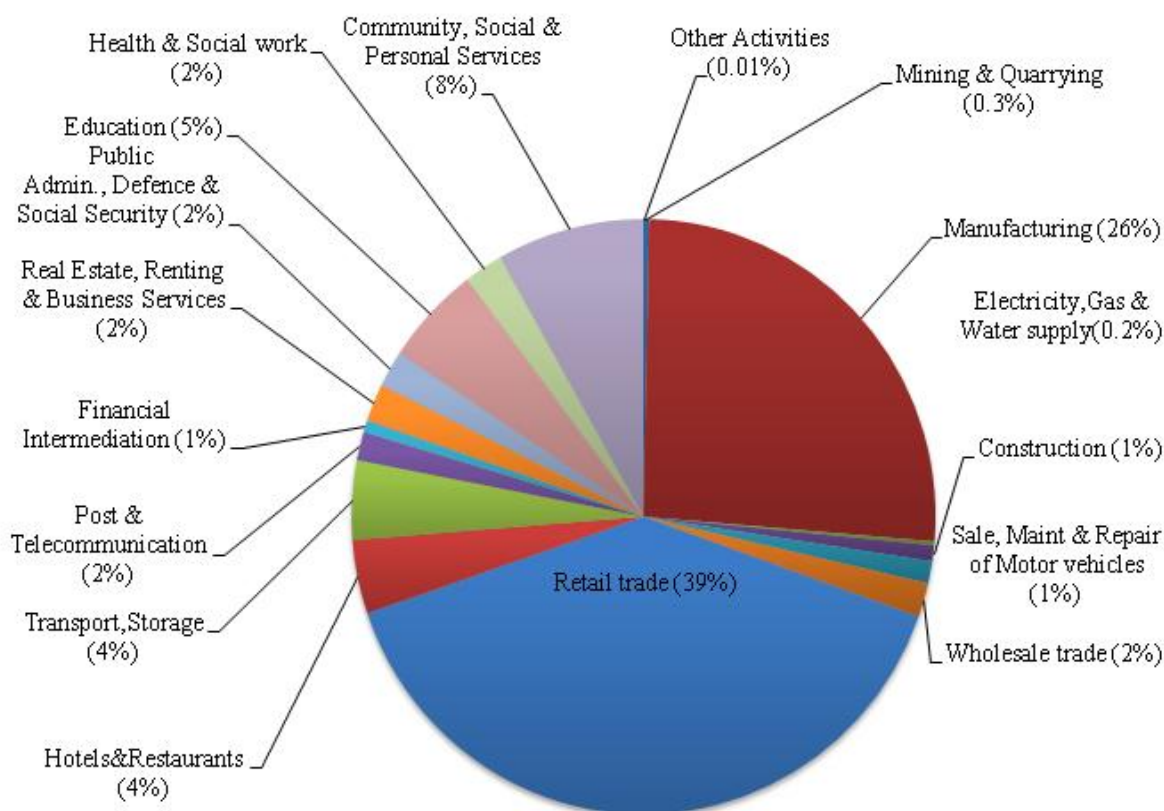


Fig 2: Distribution of major Non-agricultural establishments in rural India during 2005

Trends of non-farm employment and income

Rural non-farm economy in recent times is being considered an effectual strategy for decentralization of economic activities to rural India and giving a halt to the migration of people to urban centres. Around 41.89 million persons worked in rural non-agricultural establishments of rural areas which constitute 46.55 % of the total employment in non-agricultural sectors including both rural and urban areas. Of these, 17.30 million persons (41.30 %) were employed in own account establishments and the remaining 24.59 million (58.70 %) in establishments with hired workers. Female workers (nearly 10 million) constituted 21.96 % of total employment in rural non-farm sectors and proportion of female employment was found comparatively higher (24.32 %) in establishments which hire workers than own-account establishments (18.59 %). There were 1.03 million child workers, which constituted 2.45 % of total employment in non-agricultural establishments in rural areas and the proportion was more in establishments with hired workers (2.85 %) than in own account establishments (1.89 %) (Table 1). Retail trade, manufacturing and other community, social and personal service activities were the three most important activity groups which attracted

the largest number of own account establishments. However, the percentage of other categories including social and personal service activities was much less compared to that of retail trade and manufacturing. Employment in retail trade (7.5 million) constituted 43.12 % of the total employment in the own account establishments in the rural area followed by manufacturing engaging 5.4 million workers (31.01 %) and other community including social and personal service activities 1.3 million workers (7.67 %). Percentage of share of employment was found negative in the sectors like mining and quarrying, electricity, gas and water supply, financial intermediation and other activities. The trend of percentage share follows the same pattern as that of establishments with hired workers. The non-agriculture-sectors where employment growth during the 90's was positive and higher were manufacturing, construction, trade, transport, and business services whereas negative in mining and quarrying, utilities and community services.

Various studies have estimated that the earnings of regular workers in the RNFS were 2.4 times higher than that of agricultural workers. Casual labourers earn higher wages in non-agricultural activities than in agriculture. For male labourers wages are 40 % higher. For female the difference is just over 20 %. According to National Sample Survey, only 10 % of male rural workers and 5 % of female workers were regularly employed. A trend of a shift from self-employed in agriculture to higher paid casual work in non-agricultural activities has also been pointed out by some independent studies.

Non-farm employment can broadly be classified into three categories: regular employment, self-employment and casual employment. A trend in employment status of rural labour in India is presented in Figure 3. 27 million people were employed in organized sector in 2003. The Employment in this sector has been decreasing since 1998 when it was 28.1 million. Estimates suggest that 92% of Indian labourers are engaged in the unorganised sector while organised segment constitutes the remaining 8%. Further, it can be noted that 95% of female workers and 89 % of male labourers are engaged in the unorganised segment in India. The informal nature of farm and non-farm activities in rural areas drives this trend of overwhelming presence of unorganized sector in India. Though, the informal nature of farm activities in rural areas has been documented to some extent, non-agricultural activities appear to be extremely unorganized in India.

Strength and weaknesses of non-farm sector

Non-farm activities either keep the poor falling into deeper poverty or are advantageous in lifting the poor above the poverty line. Keeping this in view, it becomes imperative to identify the strengths and weaknesses of the non-farm sector in India to focus on, in order to alleviate poverty. The strengths and weaknesses of rural non-farm sector in India as highlighted by Mukherjee and Zhang (2005) have been discussed below.

Strengths

Institutional basis for rural non-farm sector: In India, the institutions underlying the development of the rural non-farm sector are very strong. These include secure property

rights; a well-developed financial system with preferential access to credit for the sector; supporting institutions such as the KVIC, State Khadi Board, NHHDC, Small Industries Development Bank of India (SIDBI), State industrial corporations; policies and programs promoting linkages with agriculture, especially agro-industries; domestic marketing channels for rural nonfarm production; as well as government support in export promotion. The institutional mechanisms for a rapid growth of the rural nonfarm sector are already in place.

Decentralization process: Over the last two decades the State governments in India have been able to exercise far more independence in decision-making than in the pre-1980 period. Regional parties are an integral part in coalition governments at the Center. In turn, they have negotiated economic autonomy in the formation of state specific policies for development. Moreover, with the opening up of the economy in 1991, foreign direct investment (FDI) has come to play an important role in the overall policy environment. State governments are in competition with one another to attract higher FDI levels both in manufacturing and infrastructure. In some ways, it mirrors the path followed by China, although the volume of FDI coming to India is less than 10 percent of what is flowing into China. On the positive side, however, this creates an opportunity for higher levels of investment in the future.

Weaknesses

Infrastructure: The most significant bottleneck in generating higher levels of rural nonfarm activity in India is the quantity, quality and reliability of infrastructure. For example, the World Bank Investment Climate Survey for India indicates that power outages were one of the most serious obstacles to the development of the nonfarm sector (Economist, 2005; World Bank, 2005). Although corrective steps are now being taken, increased infrastructure remains the most important priority for the future. To achieve a sustained growth rate of 8 - 9 percent, the investment rate has to be stepped up from the current level of 24 percent to nearly 35 percent over the next decade, with investment directed at the rural sector (Planning Commission, 2000).

Regulatory restrictions on small-scale sector: Regulation of the small-scale sector constitutes an important aspect of nonfarm development policy in India. In the initial stages, capital investment restrictions were imposed to protect the small-scale sector, especially in rural areas, from predation by large industry. Reservation of products for the sector was initiated to create a domestic market and quantitative restrictions imposed to protect them from competition from imports. At the end of the 1990s, however, these very policies have become detrimental to the dynamism of the small-scale sector, especially in the rural areas. Capital investment limits have discouraged economies of scale, and concessions offered to small industry have created adverse incentives against re-investment. Several official reports have recommended a substantial increase in the capital investment limit (from the present level of around \$200,000) to make better use of technology and improve productivity (Planning Commission, 2000). However, no such policy announcement has been made as yet.

Reservation of products for the small-scale sector has gradually reduced in significance, although this has created rents within the system. The decision of the government to put all

the reserved items in the open general license category from April 2005 would mean free import of such items at the prevailing tariff rate. With the latter slated to come down over time to around 20 percent as per the WTO norms, this will effectively signal the end of protection for the small-scale industry.

Quality of manpower: High levels of illiteracy in rural India have hampered the growth of the rural nonfarm sector. Education has both intrinsic and instrumental value. Apart from having a positive correlation with wages, a minimum basic standard of education is necessary to apply for credit, to be aware of one's rights and responsibilities and to deal with instances of corruption and malpractice. Often, a lack of education is intrinsic to poverty, which seems to have been the case in India until recently.

In the rural areas, lack of education leads to labor being stagnant in agriculture, or moving to casual work occupations in the nonfarm sector, and not to salaried employment with higher wages and benefits. Together with lack of technical skills, there is little incentive for rural firms to invest in technology, leading to low levels of labor productivity in the rural manufacturing sector compared to urban manufacturing (Chadha, 2003). The same is true of the service sector as well, which has the potential for expansion given the already strong base in the urban economy. Higher investment to improve both the quality and the access to education (primary, secondary and above) needs to be a priority for policymakers.

Forward and backward linkages: Absence of appropriate forward and backward integration greatly affects performance of non-farm activities in rural areas. Forward linkages of the RNF sector serve as inputs to other sectors. Also, in backward linkages the RNF sector demands the outputs of other sectors. Empirical studies indicate that forward linkages from RNF activities to agriculture (rurally produced agricultural inputs) are particularly important where traditional agricultural technologies are utilized, while in case of backward linkages between RNF activities and agriculture, especially the linkages between rural agricultural processing and the agriculture sector and between rural transport and rural marketing activities are quite significant for rural economic development. However, gaps in the integration of the production linkages brought about by poor infrastructure, low accessibility of market, support service weaknesses and intervention of middle men have constrained the development of non-farm enterprises in India.

(D) ORGANIC FARMING

According to Codex Alimentarius organic farming is a holistic production management system which promotes and enhances agro ecosystem health, including biodiversity, biological cycles and soil biological activity.

The word "organic" refers to the way farmers grow and process agricultural products, such as fruits, vegetables, grains, dairy products and meat. Organic farming practices are designed to encourage soil and water conservation and reduce pollution. Farmers who grow organic produce and meat do not use conventional methods to fertilize, control weeds or prevent livestock disease. For example, rather than using chemical herbicides, organic farmers may conduct more sophisticated crop rotations and spread mulch or manure to keep weeds at bay.

International Federation of Organic Agriculture Movements (IFOAM) is the worldwide umbrella organization for the organic movement. The Principles of Organic Agriculture serve to inspire the organic movement in its full diversity. They guide IFOAM's development of positions, programmes and standards. The principles are ethical statements and formulated to inspire action.

Organic farming is based on the principle of health, ecology, fairness and care. In particular, organic agriculture is intended to produce high quality, nutritious food that contributes to preventive health care and well-being. In view of this it should avoid the use of fertilizers, pesticides, animal drugs and food additives that may have adverse health effects.

GLOBAL ORGANIC MARKET

The growth in global organic food and beverages market is driven by increasing awareness about health benefits of organic foods which has led to increased organic farming in the world. The global organic food and beverages market is expected to grow from \$ 57.2 billion in 2010 to \$ 104.5 billion in 2015 at an estimated CAGR of 12.8 per cent.

In 2010, Europe had the largest share in the global organic food and beverages market with revenue of \$ 27.8 billion. Germany is the biggest consumer in Europe with a share of 32 per cent of organic food and beverages in the region. Asian organic food market is expected to grow at an estimated CAGR of 20.6 per cent from 2010 to 2015.

Japan leads the Asian countries in terms of organic food consumption with nearly 54 per cent of the share in 2010. Fresh produces (fruits and vegetables) are the highest selling organic food categories with 37 per cent of the organic foods segment in terms of revenue. In 2014, the global organic food market is forecast to have a value of USD 100 billion, an increase of 60 per cent since 2009.

INDIAN ORGANIC MARKET

It is estimated that 65 per cent of the country's cropped area is organic by default, as small farmers have no choice but to farm without chemical fertilizers and pesticides which they cannot afford.

According to ICCOA (International Competence Centre for Organic Agriculture) estimates approx 1.5 per cent of all agricultural acreage in India is expected to be organic certified by 2012 and through its strong organic export programmed, India will hold 2.5 per cent of the global market.

The off-shore demand for organic food market is one of the major drivers of organic agriculture in India, due to relatively increased returns with lesser input costs.

The current size of the market for organic foods in India is pegged at about Rs 1,000 core with a huge untapped potential, as per a recent article in the '*Down to Earth*' magazine.

Questions:

(1). State whether the following statements are true or false:

- a) Rural non-farm economy, in recent times, is considered as an effectual strategy for decentralization of economic activities to rural India.
- b) Infrastructural development connotes overall development of rural areas with a view to improve the quality of life rural people.
- c) Non-farm activities either keep the poor falling into deeper poverty or are advantageous in lifting the poor above the poverty line.
- d) The growth in global organic food and beverages market is driven by decreasing awareness about health benefits of organic foods which has led to decreased organic farming in the world.
- e) Education has both intrinsic and instrumental value.

Answers: (a) true (b) false (c) true (d) false (e) true

(2). Fill in the blanks with correct answers from the options..

- a) Integrated Rural Development Programme (IRDP) has been launched by Government in 1979 which aims at creating additional _____ and raising the income levels of the poor. (food, employment, houses)
- b) _____ cooperatives help to sell their members' farm products and maximize the return that they receive for these goods.(credit, marketing, regional)
- c) India is predominantly an _____ country. (capitalist, industrialist, agrarian)
- d) Organic farming practices are designed to _____ soil and water conservation and reduce pollution(encourage, discourage, neutralize)
- e) _____ development can be defined as, helping rural people set the priorities in their own communities (rural, economic, social)

Answers: (a) employment (b) marketing (c) agrarian (d) encourage (e) rural

(3). Match the following:

COLUMN A	COLUMN B
f) Rural development	26) Key issues in developing rural population
g) Credit cooperatives	27) Social, economic and political development of rural areas
h) Organic farming	28) Give agricultural loans

i) Non-farm based activities	29) Farming without use of harmful fertilizers
j) Lack of education and skills	30) Alternatives to farming

Answers: (a – 2) (b – 3) (c – 4) (d – 5) (e – 1)

(4). Essay-Type questions:

- a) What do you mean by rural development? What are the key issues in developing rural areas?
- b) What do you understand by credit cooperatives? Explain their strategy.
- c) What is organic farming? Discuss the importance of organic farming in Indian as well as Global context.
- d) How do the marketing cooperatives help the rural farmers?
- e) What are the alternatives (non-farm based activities) available to the farmers to earn their living?
- f) Explain the Trends of non-farm employment and income in India.

g) Short notes:

- a) Rural development
- b) Organic farming
- c) Cooperative credit societies
- d) Alternatives to farming
- e) Global organic market

CHAPTER 10

BASIC ECONOMIC CHALLENGES III

EMPLOYMENT

- MEANING OF EMPLOYMENT
- EMPLOYMENT PROBLEMS
- ESSENTIALS OF EMPLOYMENT POLICIES
- MEANING OF UNEMPLOYMENT
- CAUSES OF UNEMPLOYMENT
- CAUSES OF RURAL UNEMPLOYMENT IN INDIA
- EMPLOYMENT POLICIES
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

MEANING OF EMPLOYMENT

Employment is a contract between two parties, one being the employer and the other being the employee. An employee contributes labor and expertise to an endeavor of an employer and is usually hired to perform specific duties which are packaged into a job. In most modern economies, the term "employee" refers to a specific defined relationship between an individual and a corporation, which differs from those of customer or client. Employment is the act of employing or The state of being employed in which one is engaged

EMPLOYMENT PROBLEMS

The core of the employment problem in India is that of the working poor and addressing this is also the most effective way of eliminating child labour and reducing gender inequality in the world of work. In principle, this can be addressed either by reducing the level of underemployment, increasing the real wage rate for casual labour or facilitating the transfer of poor self-employed persons and casual labourers to regular wage paid jobs. The priority must be to generate a steady process of labour transfer; ensuring that a substantial proportion of the newly created regular wage paid jobs are for low-skilled workers, which points to the need for a growth strategy oriented towards exports of manufactures.

Jobs in India are shrinking at an alarming rate. Privatization and globalization have further aggravated the problem. Instead of generating employment, they have rendered millions of hands idle. American policies are effective there but not in India where the accursed ones are left to fend for themselves leading to frustration, disappointment, anger and violence".

Unemployment is the mother of countless ills. It is such a poison that pollutes the society, endangers the democratic fabric of the country. We can't expect nobility, honesty and truth from a person who is unable to manage two square meals a day for his family. An unemployed person has no sense of self-respect as he has no sense of security.

"Rightly", said by Franklin, "A ploughman on his feet is better than a gentleman on his knees."

Estimates of the total number of Indians unemployed or underemployed vary between 70 and 100 million. This figure can cause concern to any nation, but to a developing country like ours, it is the cause of great distress. A developing country must mobilize its manpower resources to the maximum possible extent and a developing country with such a large segment of its population unemployed or underemployed is a contradiction in terms.

In India the specter of frustration of misery and hunger of fallen hopes and barren dreams of bitter pain and dark despair haunts the unemployed.

The universities with their techniques of mass education and system of examination offer little information and less understanding. The grapes at the end of the course, acquired after many years of ill-spent effort and spending bulk of hard earned money of the parents, very often turn out to be sour, as the degrees soon prove valueless, and succeed neither in increasing the students' mental alertness and intellectual capabilities nor in raising their chances of employment.

India was Asia's fastest expanding economy in the most recent quarter data Growth is its highest in nearly 15 years. Glitzy shopping malls are springing up and a culture of consumption is taking root as foreign companies are attracted by cheap labour.

But growing unemployment is forcing people from rural areas to migrate in hordes to nearby cities and towns, creating slums, social unrest and electricity and water shortages. "Millions of laboring, street vending and farm jobs fall below the government's radar screen and getting information on them is a daunting task. Some 92 percent of Indian jobs are thought to be informal. Even for the remaining eight percent, the numbers are hard to come by. The government issues an employment report once every five years and economists can glean trends from Indian census data which is published every 10 years. The world's top economies publish data every month. India estimate un-employment currently to be around 7.8 percent, a government official said. Whether it is, the figure looks to be on the rise. The Planning Commission says nearly 35 million people are registered with employment exchanges from 27 million four years ago.

India knows one thing based on demographic trends, is that to keep the jobless rate from rising more, it must create some 60 million jobs in five years as more Indians enter the job market. More than 65 percent of the population is under 35. India expects economic growth of at least eight percent in the year ended March 2004. But economists say it's not enough to create 12 million jobs a year.

Some economists say the jobs problem stems from an economic liberalization programme launched more than a decade ago. The country's huge public sector has shed thousands of jobs since it stepped on the road to privatization in the early 1990s. The Planning Commission, in a report on employment published last year, attributed rising joblessness to a policy of shedding excess labour in both the private and public sector. It said companies had stepped up investment in plants and machinery more than in labour-intensive industries. Economists add that a \$53 billion fiscal deficit prevents the government from creating employment by spending more on social sectors such as health and education." We should be

looking for a fiscal-led economic expansion based on the basic needs of the people which will have a much higher multiplier effect," says Jayati Ghose, professor at New Delhi's Jawaharlal Nehru University.

In the light of this the task of harnessing the unemployed should be put on a war footing. Massive urban recruitment will be useless as the cities which have got along well enough without the recruits, can certainly continue to do so. Besides, massive urban recruitment will be inflationary and hence is impracticable. The unemployed population should be mobilized for rural reconstruction, especially as the villages lack technical know-how and also that 70 per cent of India's population lives there. Stressing on agronomy will augment rural reconstruction, enlighten the farmers, raise agricultural production, conserve foreign exchange and above all be a step towards self-sufficiency and employment for all.

The only other country which successfully mobilized vast populations for national development is China. If we are to mobilize our man power resources we must learn from the mistakes of China during her Great Leap Forward. The Chinese made three basic mistakes. Firstly, the peasants were given inadequate training. Secondly, the tax levied on agriculture communes was exorbitant often is high as 70 per cent the total produce. Finally, recruitment was governed not by considerations of merit and ability to do the job, but by loyalty to the Communist Party and on ideological grounds. In India the counterpart of this last mistake is recruitment of workers on communal, regional and linguistic grounds. This must go. It is the duty of every responsible and patriotic Indian to herald in a new 'meritocracy.'

Unemployment in our country has become such a complicated, economic, social and political issue that requires urgent steps to eliminate its scourge. Half hearted measures or temporary solutions will not yield any fruitful results. The foremost requirement is the overhauling the existing educational system. We have to change the system from producing white collar job seekers to practically job oriented technocrats, capable to start their own ventures. There should be perfect coordination and integration between our education and the industrial environment. We have to search new avenues in farm sector, herbal and medical fields to provide job opportunities after completing the education by the students. India should also go for fast development of cottage and small industries. Government should take effective steps so that the globalization does not affect the small and cottage industries. The industrial development can relieve us from this problem to a great extent. We must concentrate on labour intensive units. We have to plan and exploit our industrial potential to the fullest extent to provide jobs to the fellow youths. In a nutshell the problem of unemployment has to be dealt with on war footing lest the youth should be diverted to some wrong path.

ESSENTIALS OF THE EMPLOYMENT POLICY

1) Increased Production:

It is the key element of the employment policy. In almost all our five year plans emphasis has been laid on the creation of additional employment. Between 1972-73 and 1987-88, employment has grown at the rate of 2.21 % annually. But the GDP growth rate has been around 3.5% to 4.5% annually. Increased production or nation income should be the important element of our employment policy. It will have direct impact on poverty, the greatest malady and polluter of our economy.

2) Priority on Fuller and more productive Employment:

The employment policy should aim at expanding the volume of employment. It means that there should be higher participation of the labour force in different activities. As a result, employment will be more productive. It will generate larger output per person per year. To increase labour productivity steps should be taken for the education of labourers. This qualitative improvement should not be lost sight of.

3) Appropriate Production Technique:

The employment policy should be such as to maximize labour employment without sacrificing rapid growth. Both labour intensive and capital intensive techniques have their respective merits and demerits. India is a country where labour is plenty but capital is scanty. Adoption of labour intensive, technique will promote employment but will retard growth. Adoption of capital intensive technique will promote growth but will retard employment expansion. Hence all developing economics like India are in a dilemma. Prof. E.F. Schumacher in his book 'Small is beautiful' has suggested an intermediate technique for underdeveloped economies. This is a compromise between labour intensive and capital intensive techniques. This technique maximizes labour employment.

4) Population control:

Control of population explosion should be an important element of employment policy in India. There is huge backlog of unemployment in India. Population explosion overcrowds agriculture of India. This leads to disguised unemployment. All steps should be taken to make the family planning programme successful. This will enable the government to solve the problem of unemployment.

5) Revamping the Education System:

The Education system in India is mainly unproductive. It is mostly theoretical. Unemployment among the educated youth is a cause of serious concern in India: It is in favour of general education and not of technical and vocational education. Educated unemployment gives rise to crime, prostitution, juvenile delinquency etc. It leads to penury, misery and vagrancy and other vices. It encourages corruption, dishonesty, falsehood, gambling and gangsterism, moral turpitude and degradation. The employment policy should be such as to provide employment to the educated youth. The number of educated unemployed has increased from 5.9 lakhs in 1961 to 224 lakhs in 1991.

6) Manpower planning:

Manpower planning is indispensable with a view to solving the problem of unemployment. Hence economic planning should be integrated with manpower planning. There are excess supply of skilled labour in certain sectors and shortages in other sectors. The vast supply of unskilled illiterate labourers are outside the manpower planning. The employment policy should take manpower planning into consideration. Population control should be an inseparable element of manpower planning.

7) Emphasis on small scale and cottage industries:

The employment objective and the output objective do not appear to be in conflict but can be harmoniously reconciled if greater investment is directed to small enterprises rather than to large enterprises. Cottage and small scale industries are capital-light, skill-light, import-light, quick yielding, noninflationary and labour intensive. They create employment opportunities and are sources of subsidiary employment. But their role is complementary not competitive with heavy industry. The development of these industries will make work for the unemployed, more work for the underemployed and supplementary work for the seasonally unemployed.

8) Tracking seasonal, fictional and technological unemployment:

Unemployment found in rural areas in the slack season of agricultural operations is called seasonal unemployment. Assured irrigation facilities multiple cropping, short duration crops, expansion of animal husbandry, dairy farming, horticulture poultry, sericulture, goatery piggery, pisciculture, afforestation and conservation of soil etc should be taken up to reduce the incidence of seasonal unemployment during the slack season. Technological unemployment is due to the employment of modern techniques to save labour. Frictional unemployment is due to the breakdown of machines, immobility of labour and shortage of raw materials etc. The employment policy should be such as to solve the problem of technological and frictional unemployment.

9) Employment for women:

Women share only 14.1 % of employment to total employment. Women labour force participation rate in rural areas is 33.1 % and in urban areas it is 16.2%. Only a meagre 6.60% of women of the total employed are employed in government jobs. The progress of women employment has been very slow. 94% of working women are in the unorganized sectors. Women education should be given top priority. Women labourers should be paid fair wages. The organized sector should give greater share to women in its total employment programme. Training facilities should be provided to them in order to improve their productive capacity. Residential accommodation for working mothers, medical facilities, maternity leave and child care facilities should be emphasized. Therefore, while considering a prospective employment policy, the problem of women employment should be given due significance.

10) Self Employment:

The employment policy should be such as to enthuse and encourage self employment. In advanced countries self employment constitutes only a limited percentage of the labour force (less than 30%) In India it was 55.0% in 1993-94. The largest percentage of self-employment is engaged in agriculture and allied activities as big, small and marginal farmers. Self employment is also seen in cottage and small industries. retail trade, transport and personal service. It is not possible to provide employment to all in the organized sector in a vast continental economy like India, The problem of unemployment in India is very acute. In the circumstances, the satisfactory solution of the problem is the adequate facilities of self employment to the continuously growing labour force. The number of the self employed is more than 50%. They have low level of income. They are poverty stricken. Hence they deserve special attention in the national employment policy. The weaker sections like SC and ST, women and the poor should be given preferential treatment. Proper training and encouragement should be given to the young educated entrepreneurs. The Government

should provide easy and timely credit and marketing facilities to the self-employed persons. The Government must see that funds meant for the purpose is properly utilized.

11) Avoidance of special employment programmes:

Often it is seen that special employment programmes appear attractive and fruitful from the view of political considerations. When these programmes are implemented, they produce jobs where labour becomes unproductive or less productive. Again funds deployed in these programmes tend to be embezzled and defalcated. Moreover, the volume of permanent employment in those programmes tends to be less compared to the amount of capital invested there in. Contrarily, increasing investment in income yielding projects like irrigation, flood control, hydroelectricity generation, rural electrification, soil conservation, afforestation, cottage and small industries etc. will create more permanent employment in future. The national employment policy makers must take this into consideration.

MEANING OF UNEMPLOYMENT

Definition of 'Unemployment'

Unemployment occurs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a measure of the health of the economy. The most frequently cited measure of unemployment is the unemployment rate. This is the number of unemployed persons divided by the number of people in the labor force.

Unemployment (or **joblessness**) occurs when people are without work and actively seeking work. The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labor force. During periods of recession, an economy usually experiences a relatively high unemployment rate. According to *International Labour Organization* report, more than 197 million people globally are out of work or 6% of the world's workforce were without a job in 2012.

There remains considerable theoretical debate regarding the causes, consequences and solutions for unemployment. Classical economics, New classical economics, and the Austrian School of economics argue that market mechanisms are reliable means of resolving unemployment. These theories argue against interventions imposed on the labor market from the outside, such as unionization, minimum wage laws, taxes, and other regulations that they claim discourage the hiring of workers.

CAUSES OF UNEMPLOYMENT

The problem of unemployment is becoming a colossal one. Various factors, individual as well as social, have caused this problem. Here the causation is not one-sided. For example, unemployment is often the cause of poverty and some other time, its consequence also. Hence, tracing the causes of unemployment is a difficult task.

C.B. Mamoria lists out the causes of unemployment in India in the following way:

(i) The policy of “laissez-faire” or free trade pursued by the British did not accelerate the process of industrialization in India. As a result, employment opportunities could not be generated on a large scale, during the British rule. This situation continued up to the end of their rule in India.

(ii) The unchecked growth of population from 1921 onwards posed the problems of finding job opportunities. For example, our population in 1921 was 251.3 millions and it increased to 361.0 millions in 1951. It has reached a record figure of 122.3 crore in 2008.

(iii) The decline of traditional skills and the decay of small scale and cottage industries led to a great pressure on land and this in turn resulted in the greater exodus of people from the rural to the urban areas. This added to urban unemployment.

(iv) The low level of investment and the neglect of industrial sector could not help the process of creating job opportunities.

GR. Madan speaks of two main types of causes of unemployment: (A) “individual or personal factors “, and (B) “external factors ” or “technological and economic factors “.

A. Individual or Personal Factors of Unemployment

(i) Age Factor:

Age factor fixes limitations on the range of choice of job opportunities. Too young and too old people are not eligible for many of the jobs. Some young people due to their inexperience, and some old people due to their old age, fail to get some jobs. Young people do not get jobs soon after their studies.

They will have to wait. People who are above 50 or 60 years are less adaptable and more prone to accidents. Their capacity to contribute to economic production is also relatively less.

(ii) Vocational Unfitness:

Many of our young people do not have a proper understanding of their own aptitudes, abilities and interests on the one hand, and the tasks or jobs or career they want to pursue, on the other. If willingness to do some job is not followed by the required abilities, one cannot find a job of one’s selection.

Employers are always looking forward to find persons who have the ability, experience, interest and physical fitness to work. Sometimes, there may be more men trained in a particular profession than required. The demand is less than the supply, and hence, unemployment.

(iii) Illness and / or Physical Disabilities or Incapabilities:

Due to the inborn or acquired disabilities or deficiencies some remain as partially employed or totally unemployed throughout their life. Illness induced by industrial conditions and the fatal accidents that often take place during the work may render a few other people as unemployed.

B. External Factors or Technological and Economic Factors

(i) Enormous Increase in Population:

The population in India is growing at an alarming rate. Every year India adds to her population 120 to 130 lakh people afresh. More than this, every year about 5 million people become eligible for securing jobs.

All these people who are eligible to work are not getting the jobs. Hence, population explosion in India is making the problem of unemployment more and more dangerous.

(ii) Trade Cycle:

Business field is subject to ups and downs due to the operation of trade cycle. Economic depression which we witness in trade cycle may induce some problematic or sick industries to be closed down compelling their employees to become unemployed. Fluctuations in international markets, heavy imposition of excise duties, business strains observed in the trade cycles adversely affect the security of jobs of some men.

(iii) Technological Advance – Mechanisation – Automation:

Technological advancement undoubtedly contributes to economic development. But unplanned and uncontrolled growth of technology may have an adverse effect on job opportunities.

Since industrialists are more interested in maximizing production and profit they prefer to introduce labour-saving machines. They always search for ways and means of reducing the cost of production and hence go after computerization, automation, etc. The result is technological unemployment. This state of affairs is very much in evidence in the Indian context today.

(iv) Strikes and Lockouts:

Strikes and lockouts had been an inseparable aspect of the Indian industrial field. Due to strikes and lockouts production used to come down and industries were incurring heavy losses. Workers used to become unemployed for a temporary period and some were being thrown out of job.

This state of affairs continued almost up to 1990s, that is, till the launching of the [NEP] New Economic Policy. This, prolonged period of four decades our industries received severe setbacks due to labour strikes which affected adversely industrial growth and industrial

potential for fetching jobs. After 1990s, things however, have been changing and labour strikes are becoming comparatively rarer.

(v) Slow Rate of Economic Growth:

Job opportunities depend very much on economic growth. Since the rate of economic growth was very slow in the first 45 years after independence, the economy was not able to create enough job opportunities to the increasing number of job – seekers.

For example, in 1980s, the rate of growth of the number of job-seekers increased by 2.2%, while the rate of growth of the number of job opportunities was only 1.5%. This difference led to an enormous increase in the number of unemployed persons.

(vi) Backwardness of Indian Agriculture:

Age old mode of cultivation, too much dependence of too many people [more than 75%] on agriculture, widespread disguised unemployment, sentimental attachment towards land, etc., have adversely affected the – growth of Indian agriculture and its employment potential.

C. Other Causes of Unemployment:

In addition to the two main types of the causes of unemployment as mentioned by G.R. Madan, we may add a few other factors causing the problem such as the following.

(i) Unpreparedness to Accept Socially Degrading Jobs:

Some of our young men and women are not prepared to undertake jobs which are considered to be socially “degrading” or “indecent”. Example: Autorickshaw and taxi-driving, working as salesmen or sales girls in shops, doing waiter’s work and clerical work in hotels, etc., could be mentioned here as examples. Since the spirit of the dignity of labour is not properly inculcated in them, they become the victims of “false prestige” and face the risk of unemployment.

(ii) Defects in our Educational System:

Our system of education which appears like a remnant of the British colonial rule in India has its own irreparable defects and its contribution to the problem of unemployment can hardly be exaggerated.

There is no co-ordination between our industrial growth, agricultural development and our educational system. Our education does not prepare the minds of our young men to become self-employed; on the contrary, it makes them to depend on government to find for them some jobs.

(iii) Geographic Immobility of the Workers:

Occupational mobility and geographic mobility on the part of the workers lessen the gravity of the problem of unemployment. But in the Indian context, workers are not adventurous enough to move from one physical area to another in search of jobs, or to change their jobs to brighten their economic prospects.

They are either clinging on to their traditional profession or occupations especially in the rural area, or concentrated in one or the other urban centre, sometimes without any job.

(iv) Improper Use of Human Resources:

Lack of planning for the efficient utilization of human resources for productive purposes has been one of the causes of unemployment in India. In fact, there has been no proper co-ordination between the availability of human resources and its utilization in the productive field. As a result, in some units, there is the dearth of qualified man power and in some other units; we find its excess.

(v) Lack of Encouragement for Self-Employment:

Ever since the time of British, Indians have developed a tendency to give priority for salaried jobs rather than self-employment. Our education system has also been a failure in developing the spirit of self-employment among our youths.

As a result, young people tend to wait for getting some salaried jobs in offices, factories or business firms and private or public firms and concerns. They often wait for such jobs for years together as unemployed or under-employed youths.

CAUSES OF RURAL UNEMPLOYMENT IN INDIA

India has a large number of unemployed people. This is true of the rural as well as urban fields. In urban fields, there are a large number of educated unemployed, and in the rural areas, this is true of all the categories of people. Per-capita income in rural areas, this is true of all the categories of people. Per capita income in rural areas and particularly those engaged in agriculture does not exceed a sum of Rs. 450 per annum.

According to the report, Rural Agricultural Commission, Indian Agriculturalists are unemployed for about 6 months in a year. In rural areas, apart from the unemployed of the people, since months there are landless people who are unemployed. This number is about 10 to 50 crores. All these things go to prove that there is a good deal of unemployment in the rural areas.

There are various factors responsible for this situation. The factors, because of which there is unemployment the rural areas, may be studied under the following heads:

1) Excessive increase in population or population explosion:

In India the population is crossing all bounds. It is accepted that within 20 years or so the population of this country shall have doubled. At this rate of increase in population, no country can guarantee full employment to its hands. This is truer of the rural areas where avenues of employment are limited. Programmes of family planning attempts to restrict the increase in population have so far not yielded the desired results. This does not work well for the country.

2) Limited land and great pressure on land:

India has a limited area of agricultural land. Attempt is being made to break the barren land and bring greater area under the orbit of the agriculture. In spite of it the rapid increase in population has so far failed all the attempts of the Govt. To provide proper agricultural land to all those persons who do not have land. Apart from this there is greater pressure on the land. In rural areas most of the people depend on land for their livelihood. This creates the situation of unemployment for a large number of persons in the rural areas.

3) Seasonal nature of agriculture:

Agriculture in India is a seasonal affair. It keeps the people engaged only for a few months. After sometime the farmer have nothing to do. There is a season for sowing and harvesting. After that the farmers have no job. During this period they remain unemployed and without job. This has adverse effect on the earning of the people and the standard of living. What is needed is that for this period, the agriculturalists should be provided with some job. This would help them to earn more and employ their free time in a gainful manner.

4) Lack of subsidiary and other village industries:

We have just now seen that for at least 4 to 5 months in a year village people remain unemployed. Their standard of living can improve only when they employed this period in a gainful manner. Such a thing can happen when cottage industries and other industries pertaining to agriculture are set up in the village. So far this thing has succeeded on the other hand, the village and cottage industries have deteriorated and so large number of people still remains unemployed.

5) Too much dependence on nature:

Agriculture in India depends too much on nature particularly for irrigation. If there is lack of such at the proper moment, the crop gets a set back. If there is inclement weather at the time of harvesting, the agriculture again gets a set back. All these factors create problems of unemployment.

6) Undeveloped and traditional methods of agriculture:

In India, agriculture is carried out through traditional methods. These methods are undeveloped. They require a good deal of time and large number of hands, yet the yield is not enough as to feed a large family and also provide for their other necessities. This has an adverse effect on agricultural employment position.

7) Lack of education and ignorance about scientific and modern means of agriculture:

Agricultural people are not educated. Due to lack of education, they are not able to utilise their energy in proper manner. Apart from it they are not able to know about the scientific and modern methods of agriculture. This makes their task cumbersome and time consuming. This has also an adverse effect on employment position which requires rethinking and reconsideration.

8) Lack of adequate means of irrigation:

We have just now seen that agriculture in India very much depends on nature. There are no adequate means of irrigation. Whatever means existing are hardly sufficient to provide water to all the fields. Because of dearth of irrigation facilities the agricultural yield is not at all sufficient to help the agriculturist to live respectably. It also has an adverse effect on employment position which in its turn has an adverse effect on the standard of living.

9) Small holdings and fragmentation of land:

Agriculture in India is disorganized. We have already talked about the dearth of irrigation facilities, too much of dependence on nature and other factors. The holdings are small and they are scattered and fragmented. Because of these drawbacks, the agricultural product is not at all sufficient for the people who depend on it. Apart from it the agricultural output is not commensurate with the labor that is spent on it. Therefore, creates disguised unemployment. This has an adverse effect on the employment position. It also adds to the poverty of the village.

EMPLOYMENT POLICIES

The Minimum Wages Act, 1948

Objectives

To determine the minimum wages in industry and trade where labour organisations are non-existent or ineffective.

Scope and coverage

Applicable to all employees engaged to do any work, skilled, unskilled manual or clerical, in a scheduled employment, including out-workers.

Fixation of minimum wages.

Main provisions

Fixation of minimum wage of employees.

Procedure for fixing and revising minimum wages.

Obligation of employees.

Rights of workers.

The Payment of Wages Act, 1936

Objectives

To ensure regular and prompt payment of wages and to prevent the exploitation of a wage earner by prohibiting arbitrary fines and deductions from his wages.

Scope and coverage

Application for payment of wages to persons employed in any factory.

Not applicable to wages which average Rs 1600/- (\$35.83) per month or more.

Wages include all remuneration, bonus, or sums payable for termination of service, but do not include house rent reimbursement, light vehicle charges, medical expenses, TA, etc.

Main provisions

Responsibility of the employer for payment of wages and fixing the wage period.

Procedures and time period in wage payment.

Payment of wages to discharged workers.

Permissible deductions from wages.

Nominations to be made by employees.

Penalties for contravention of the Act.

Equal remuneration for men and women.

Obligations and rights of employers.

Obligations and rights of employees.

The Employees Provident Funds and Misc. Provisions Act, 1952

Objectives

To make provisions for the future of the industrial worker after he retires or for his dependents in the case of his early death.

Compulsory Provident Fund

Family Pension

Deposit linked insurance

Scope and coverage

Application to factories and establishments employing 20 or more persons.

Can be made applicable by central government to establishments employing less than 20 persons or if the majority of employees agree.

Excludes establishments employing 50 or more persons or 20 or more persons but less than 50 persons, until the expiry of three years in the case of the former, and five years in the case of the latter, from the date of setting up of establishment.

Applicable to all persons who are employed directly or indirectly through contractors in any kind of work.

Eligibility

Employees drawing pay not exceeding Rs. 3500/- (\$78.37) per month.

Benefits

Apart from terminal disbursement of non-refundable withdrawals for Life Insurance Policies

House building

Medical treatment

Marriage

Higher education

Family pension

Retirement-cum-withdrawal benefits

Deposit linked insurance Amount equal to the average balance in Provident Fund of deceased subject to a maximum of Rs. 25,000/- (\$559.79).

Workmen's Compensation Act, 1923

To provide compensation for workmen in cases of industrial accidental / occupational diseases in the course of employment resulting in disablement or death. Coverage for persons employed in Factories, Mines, Plantations, the Railways and others mentioned in Schedule II of the Act.

Benefits**Compensation for Death**

Minimum - Rs. 20,000 (\$447.83) Maximum - Rs. 1,14,000 (\$2,552.62)

Compensation for Permanent disablement

Minimum - Rs. 24,000 (\$537.4) Maximum - Rs. 70,000 (\$1567.4)

Temporary disablement

50% of wages for a maximum period of 5 years.

The Contract Labour (Regulation & Abolition) Act, 1970

Not to be required to work beyond 9 hours between 6 A.M. and 7 P.M.

with the exception of midwives and nurses in plantations.

The Inter-state Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979

Separate toilets and washing facilities to be provided in employment covered by the 3rd and 6th laws.

Maternity Benefit Act, 1961

Maternity benefits to be provided on completion of 80 days working.

Not required to work during six weeks immediately following the day of delivery or miscarriage.

No work of arduous nature, long hours of standing likely to interfere with pregnancy/normal development of foetus or may cause miscarriage or likely to affect health to be given for a period of one month immediately preceding the period of six weeks before delivery.

On medical certificate, advance maternity benefit to be allowed.

Rs. 250 (\$5.6) as medical bonus to be given in case when no prenatal confinement and post-natal care is provided free of charge.

Equal Remuneration Act, 1976

Payment of equal remuneration to men and women workers for same or similar nature of work protected under the Act and also under the provisions at ISMW Act, mentioned above.

No discrimination permissible in recruitment and service conditions except where employment of women is prohibited or restricted by or under any law.

The Children (Pledging of Labour) Act, 1933

- Any agreement to pledge the labour of children is void.

The Bidi and Cigar Workers (Conditions of Employment) Act, 1966

- Employment of children under 14 years of age prohibited under the laws at Sl. Nos. 2 to 5.
- Except in the process of family based work or recognized school-based activities, children not permitted to work in occupations connected with: Passenger, goods mail transport by Railway Cinder picking, cleaning of ash pits Building operations, construction Catering establishments in Railway premises or port limits Beedi making Carpet weaving Cement manufacturing Cloth printing Dyeing, weaving Manufacture of matches, explosives, fireworks Mica cutting, splitting Wool cleaning
- In occupations and processes other than the above mentioned, work by children is permissible only for six hours between 8.00 A.M. and 7.00 P.M. with one day's weekly rest.
- Occupier of establishment employing children to give notice to local Inspector and maintain prescribed register.

The Payment of Gratuity Act, 1972

Objective

- To provide for payment of gratuity on ceasing to hold office

Coverage

- Factories, Mines, Oil fields, Plantations, Ports, Railway Companies, Shops & Commercial Establishments and to other establishments to which the Government extends the law.

Eligibility

- Employees drawing wages not exceeding R. 3500/- (\$78.37) per month.

Benefits

- 15 days wages for every completed year of service or part thereof in excess of six months subject to a maximum of Rs. 50,000 (\$119.58)

Employees State Insurance Act, 1948

Objective

To provide for health cover, Medical care and Cash benefits for

- Sickness
- Maternity
- Employment injury
- Pensions to dependents in case of Death (or) Employment injury

Eligibility

- Employees drawing wages not exceeding Rs. 3000/- (\$67.17) per month

Benefits

- Compensation for Death Minimum - Rs. 20,000 (\$447.83 Maximum) - Rs. 1,14,000 (\$2552.62)
- Compensation for Permanent disablement Minimum - Rs. 24,000 (\$537.4) Maximum - Rs (70,000) \$1,567.4
- Temporary disablement 50% of wages for a maximum period of 5 years.

The Payment of Bonus Act, 1965

Objectives

- To provide statutory obligations for payment of bonus to persons employed in certain establishments on the basis of profits or productivity.

Scope and Coverage

- Applicable all over India to factories under the Factories Act and to other establishments employing 20 or persons on any day during a year.
- Government can extend its coverage to establishments employing between 10 and 20 workers.
- Covers all workers including supervisors, managers, administrators, technical and clerical staff employed on salary or wages not exceeding Rs 2,500 (\$55.97) per month.

Main Provision

- Eligibility for bonus.
- Payment of minimum and maximum bonus.
- Time limit for payment of bonus.
- Deductions from bonus.
- Computation of gross profits and available allocable surplus.
- Rights of employees.

The Shops and Establishments Act, 1953

Objectives

- To provide statutory obligation and rights to employees and employers in the unorganised sector of employment, i.e., shops and establishments.

Scope and Coverage

- A state legislation; each state has framed its own rules for the Act.
- Applicable to all persons employed in an establishments with or without wages, except the members of the employer's family.
- State government can exempt, either permanently or for a specified period, any establishments from all or any provisions of this Act.

Main Provisions

- Compulsory registration of shop/establishment within thirty days of commencement of work.
- Communications of closure of the establishment within 15 days from the closing of the establishment.
- Lays down the hours of work per day and week.
- Lays down guidelines for spread-over, rest interval, opening and closing hours, closed days, national and religious holidays, overtime work.
- Rules for employment of children, young persons and women
- Rules for annual leave, maternity leave, sickness and casual leave, etc.
- Rules for employment and termination of service.
- Maintenance of registers and records and display of notices.
- Obligations of employers.
- Obligations of employees.

The Trade Unions Act, 1926

Objective

- To confer a legal and corporate status on registered trade unions.

Scope and Coverage

- Applicable to unions of workers as well as associations of employers.
- Extends to the whole of India.
- A central legislation but administered and enforced by the state governments.

Main Provisions

- Defines trade union.

- Registration of a trade union by any seven or nine workers of an establishment on applying with a copy of the rules of the union, the name and address, and the list of office bearers.
- Cancellation and dissolution of trade unions.
- Obligations of registered trade unions.
- Rights of registered trade unions.

The Industrial Disputes Act Objectives

- To provide a machinery for peaceful resolution of disputes and to promote harmonious relation between employers and workers.

Scope and coverage

- Applicable to all industrial and commercial establishments
- Covers all workers and supervisors drawing salaries up to Rs. 1600/- (\$35.82) per month.
- Not an applicable to person employed in managerial and administrative capacities.

Main provisions

- Defines industry, industrial dispute, layoff, lockout, retrenchment, trade union, strike, wages, workman, etc.
- Provides machinery for investigating and settling disputes through works committees, conciliation officers, boards of conciliation, courts of enquiry, labour courts, tribunals and voluntary arbitration.
- Reference of dispute for adjudication.
- Awards of labour courts and tribunals.
- Payment of wages to workers pending proceedings in High Courts.
- Rights of appeal.
- Settlements in outside conciliation.
- Notice of change in employment conditions.
- Protection of workmen during pendency of proceedings
- Strike and lockout procedures.
- Lay-off compensation.
- Retrenchment compensation.
- Proceedings for retrenchment.
- Compensation to workmen in case of transfer of undertakings.
- Closure procedures.
- Reopening of closed undertakings.
- Unfair labour practices.
- Recovery of money due from employer.
- Penalties.
- Obligations and rights of employees.

Questions:**(1). State whether the following statements are true or false:**

- a) The employment policy should be such as to maximize labour employment without sacrificing rapid growth
- b) Due to strikes and lockouts production goes up and industries were incur profits
- c) while considering a prospective employment policy, the problem of women employment should be given due significance.
- d) Lack of planning for the efficient utilization of human resources for productive purposes has been one of the causes of unemployment in India
- e) The employment policy should aim at generating new avenues of employment for children .

Answers: (a) true (b) false (c) true (d) true (e) false

(2). Fill in the blanks with correct answers from the options.

- a) _____in India depends too much on nature particularly for irrigation(industries, society, Agriculture)
- b) _____unemployment gives rise to crime, prostitution, juvenile delinquency etc.(seasonal, disguised, Educated)
- c) Job opportunities depend very much on _____ growth.(economic, infrastructure, population)
- d) _____factor fixes limitations on the range of choice of job opportunities(age, religion, location)
- e) _____ ensures regular and prompt payment of wages and to prevent the exploitation of a wage earner by prohibiting arbitrary fines and deductions from his wages. (payment of wages act, The Industrial Disputes Act , Workmen's Compensation Act)

Answers: (a) agriculture (b) educated (c) economic (d) age (e) payment of wages act)

(3). Match the following:

COLUMN A	COLUMN B
k) Seasonal unemployment	31) Fluctuations in international markets
l) Trade cycle	32) Maternity benefit act
m) Woman workers	33) Farmers

n) Unemployment	34) Subsidiary employment
o) Small scale industries	35) Poverty

Answers: (a – 3) (b – 1) (c – 2) (d – 5) (e – 4)

(4). Essay-Type questions:

- a) What do you understand by employment? Discuss the employment problems.
- b) What is unemployment? Elaborate causes of rural unemployment.
- c) Briefly explain the causes of unemployment in India.
- d) What are the major employment generation schemes operating in India?
- e) What are the essentials for an employment policy to work?
- f) “Technological advancement undoubtedly contributes to economic development. But unplanned and uncontrolled growth of technology may have an adverse effect on job opportunities.” Discuss

g) Short notes:

- a) Rural unemployment
- b) Programmes for removal of unemployment
- c) Causes of unemployment
- d) Seasonal unemployment
- e) Types of unemployment
- f) Technological and Economic Factors affecting employment

CHAPTER 11

BASIC ECONOMIC CHALLENGES IV

INFRASTRUCTURE

- MEANING OF INFRASTRUCTURE
- INFRASTRUCTURE PROBLEMS
- TYPES OF INFRASTRUCTURE
- CRITICAL ASSESSMENT OF INFRASTRUCTURE DEVELOPMENT
- NEED TO IMPROVE INFRASTRUCTURE
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

MEANING OF INFRASTRUCTURE

The basic physical systems of a country's or community's population, including roads, utilities, water, sewage, etc. These systems are considered essential for enabling productivity in the economy. Infrastructure Developing often requires large initial investment, but the economies of scale tend to be significant.

In face of the global financial crisis and the economic downturn, infrastructure sector plays an important role to counter balance against slowing economic activity and lower consumption. In India the infrastructure sector currently accounts for 26.7% of India's industrial output and thus remains a useful tool to balance the economy. Moreover infrastructure is the lifeline of any business activity, proper infrastructure increases business activity manifold. In India, out of the proposed 31,755 km by the National Highways Development Programme, completion achieved is just 28 percent or 9,165 km, even if this project is to be completed by 2012, there will be huge opportunity for companies engaged in highway building sector. According to Assocham-Ernst & Young - Infrastructure, including roads, power, highways, airports, ports and railways, have emerged as an asset class with long-term growth that can provide relatively stable returns to investors. In terms of investment attractiveness in the future, the joint study has ranked power as the most sought after segment among respondents for investment in the future (83%), followed by roads and highways (72%), ports and logistics (66%), rail (45%), airports (43%) and shipping (35%). An interesting segment identified as offering a strong growth potential was urban infrastructure, especially areas such as water management, waste-water management, sewerage system and solid waste management. The survey conclude that if government can overcome regulatory procedures, delays in project implementation and several unplanned cost escalation create then Infrastructure industry as a whole has a great potential in India.

(A) INFRASTRUCTURE PROBLEMS

Infrastructure Problems in India can be classified into two parts:

- Urban infrastructure problems in India
- Rural infrastructure problems in India

URBAN INFRASTRUCTURE PROBLEMS

Urban infrastructure problems in India is an age old problem. The Infrastructure problems in India mostly took a back-seat in the economic development policy drafts. The meager budgetary allocation to arrest infrastructure problems in India has so far proved to be too little to keep pace with other areas of business development in India. Moreover, the tremendous growth of Indian IT, telecommunication, manufacturing, and pharmaceutical industries have consumed the limited world class urban infrastructure available in India.

The Urban infrastructure problems in India are:

- Urban residence
- Business premises
- Power
- Urban transport
- Water
- Sewerage
- Airports
- Railways
- Seaports
- Roads
- Bridges
- Tourism infrastructure
- Solid waste management
- Projects in SEZ
- Health care
- Entertainment
- Communications

RURAL INFRASTRUCTURE PROBLEMS

Rural infrastructure problems in India have gone from bad to worse in recent years. However, the government of India has taken some important steps to arrest the age old problems of rural India, such as:

Connecting 66,800 habitations with all weather roads

Construction of 1,46,000 km of new rural roads

Upgrading 1,94,000 km of existing rural roads

Allocation of investment to the tune of ` 1,74,000 crore envisaged under “Bharat Nirman”.

Providing a corpus of ` 8000 crore for Rural Infrastructure Development Fund (RIDF).

With around 600,000 villages and 70% of its population in rural India, the need of the hour for the government is to develop proper rural infrastructure for the masses in India. The immediate focus area should cover but not be confined to the following areas:

- Power
- Irrigation
- Drinking Water

- Rural housing
- Roads
- Health care
- Education
- Telecommunication

(B) TYPES OF INFRASTRUCTURE

Hard Infrastructure and Soft Infrastructure

Hard infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation, whereas soft infrastructure refers to all the institutions which are required to maintain the economic, health, and cultural and social standards of a country, such as the financial system, the education system, the health care system, the system of government, and law enforcement, as well as emergency services.

Hard infrastructure is limited to capital assets that serve the function of conveyance or channelling of people, vehicles, fluids, energy, or information, and which take the form either of a network or of a critical node used by vehicles, or used for the transmission of electro-magnetic waves.

Soft infrastructure includes both physical assets such as highly specialized buildings and equipment, as well as non-physical assets such as the body of rules and regulations governing the various systems, the financing of these systems, as well as the systems and organizations by which highly skilled and specialized professionals are trained, advance in their careers by acquiring experience, and are disciplined if required by professional associations (professional training, accreditation and discipline).

Unlike hard infrastructure, the essence of soft infrastructure is the delivery of specialized services to people. Unlike much of the service sector of the economy, the delivery of those services depend on highly developed systems and large specialised facilities or institutions that share many of the characteristics of hard infrastructure.

(C) CRITICAL ASSESSMENT OF INFRASTRUCTURE

The efficacy of private sector participation in infrastructure development would be contingent upon the capability to commercialize these projects whereby recovery of investments would be through a system of user charges. There is a potential for public private partnerships (PPPs) to contribute more and help bridge the infrastructure gap in India.

There has been considerable progress in the last ten years in attracting private investment into the infrastructure sectors; first in telecommunications, then in ports and roads, and in individual projects in other sectors.

With the current GDP growth of 8%, in which there is contribution of nearly 51% from services and 16% from manufacturing sector there is a need for proper alignment of resources. To sustain this growth India needs to develop sound infrastructure so that the right input of skilled, qualified and socially contented labor; visible and reliable supply chains;

prompt and accurate information for decision making; efficient process and updated technology can be given to the operations of manufacturing and services.

The need to provide world class infrastructure that keeps pace with 8 per cent economic growth is clear. City roads are choked with traffic, power cuts are a fact of life and passengers are routinely delayed as booming air travel tests airport capacity.

Analysts say the infrastructure sector as a whole needs to grow 8 per cent a year, instead of 5 per cent at the moment, to meet the government's vision of even higher growth, more jobs and better basic living conditions for 260 million poor. Therefore there is a need to holistic approach to look in to infrastructure from the industrial perspective to enhance the quality of inputs to the operations of the company.

Infrastructure output growth for the first month of the new financial year has come in at a healthy 6.7 per cent as compared to 6 per cent for the same month of previous year. The growth rate for April is higher than the average monthly rates reported for the previous 3 months, but lower than 8.7 per cent reported for March 2006. The new economic policies aimed at stepping up economic growth, improving market efficiency and competitiveness, and integrating the Indian economy with global markets have already placed a heavy demand on all types of urban infrastructure services. The resulting bottlenecks are beginning to pose serious impediments to enhancing productivity. Urban infrastructure includes water supply and sanitation which are important basic needs for improvement of the quality of life and enhancement of the productive efficiency of citizens.

There has been a steady increase in the urban population on account of rapid industrialization, natural growth and migration from rural areas. This has prompted the working out of alternative ways of meeting the increasing transport demand given the constraints of land and capital, and the need to control energy consumption, pollution and accidents.

The general picture which emerges from the above review is that not only has the demand for infrastructure facilities and services continued to outpace supply but also the quality of existing supply is poor. The visible signs of shortfalls in capacity and inefficiencies include increasingly congested roads, power failures, long-waiting lists for installation of telephones and shortages of drinking water. The widening gap between demand and supply of infrastructure also raises questions concerning the sustainability of economic growth in future.

NEED TO IMPROVE INFRASTRUCTURE

Policy makers, governments, and entrepreneurs have long sold India as a trillion dollar infrastructure opportunity. This is neither exaggeration nor irrational exuberance to attract foreign capital. The trillion dollar opportunity is the result of years of neglect and the country's creaking roads, ports, runways, sewage systems and power stations that simply cannot withstand the pressure of burgeoning demand. To come anywhere close to a sustained economic growth of 9%, India has no option but to expand its infrastructure at a furious pace.

"Infrastructure development in India can be divided into two categories: social infrastructure and physical infrastructure. While the social infrastructure continues to lag behind, India has witnessed considerable development in physical infrastructure in the past decade. Especially between 2004 and 2008, when the country was witnessing high GDP growth, the government was able to reduce the fiscal deficit and work towards building and improving infrastructure in terms of roads, airports, and ports," says Sunil Sinha of CRISIL, a rating agency.

Both the government and the private sector need to work towards overall infrastructure so that it can sustain 8-9% annual GDP growth. Also, the government has to focus on building agricultural infrastructure. As we can see, due to poor agriculture infrastructure, the prices of essential food items are very high.

The performance and execution of the private sector has been better than that of the government sector. Even though private public partnership is relatively new to India, it has shown decent results and has a potential to grow. The development of airports and roads is a classic example of the potential of PPP in India. But there are still some regulatory issues that need to be looked at and changed if India has to improve upon its infrastructure growth.

While the trillion dollar target is ambitious, actual investments in infrastructure fail to materialise for a variety of policy, regulatory and implementation bottlenecks. It is difficult to take a view across all infrastructure sectors as the issues in each subsector are different. Growth in infrastructure sectors is function of public expenditure in infrastructure and how well infrastructure PPP projects are structured and brought out into the market and implemented. While there is retardation on both accounts at present, but we expect government policy and institutional actions will improve and drive the required infrastructure investment in India.

The highway sector itself would need investments of nearly \$45 billion over the next two years. Regulatory changes to the awarding process, concession agreement sweetened the deal for private developers have encouraged private participation.

The public private participation (PPP) model has been quite effective in India particularly in the transportation sector and in the last Five Year Plan the country has witnessed more than 30% share of private sector investment in infrastructure. The way forward is to create more PPPs backed by adequate regulatory reform, particularly by creating independent regulatory institutions that operate without government interference and letting them perform their regulatory function.

The power sector offers the biggest opportunity in the infrastructure space. Even a conservative estimate pegs the power requirement at 100 GW by 2017. That implies an investment of nearly \$200 billion. Transmission and distribution infrastructure to transport the power produced to end consumers would require another \$100 billion.

The infrastructure sector was one of the thrust areas in the Union Budget 2012-13, as the then Finance Minister Pranab Mukherjee announced a slew of proposals, including allowing financial institutions to raise about Rs 60,000 cr (US\$12 billion) from tax-free bonds and envisaging a greater private participation.

The investment in the sector during the Twelfth Five-Year Plan will go up to Rs 50 lakh cr (US\$997.3 billion), about half of which is expected from the private sector. Further, to attract private investment, more sectors like irrigation, oil and gas storage facilities and telecommunication have been made eligible for viability gap funding under the scheme "Support to PPP in Infrastructure".

The allocation to the highways sector has also been enhanced by 14% to Rs 25,360 cr (US\$5.06 billion) in 2012-13 and the government has set a target of covering a length of 8,800 km roads under National Highways Development Project (NHDP) next fiscal.

Questions:

(1). State whether the following statements are true or false:

- a) The performance and execution of the private sector has been better than that of the government sector.
- b) There has been a steady increase in the rural population on account of rapid industrialization, natural growth and migration from rural areas
- c) Unlike hard infrastructure, the essence of soft infrastructure is the delivery of specialized services to people
- d) There is a potential for public private partnerships (PPPs) to contribute more and help bridge the infrastructure gap in India.
- e) The problems of rural infrastructure are that, even basic necessities like water and roads are in insufficient.

Answers: (a) true (b) false (c) true (d) true (e) true

(2). Fill in the blanks with correct answers from the options.

- a) The _____ sector offers the biggest opportunity in the infrastructure space (agriculture, transport, power)
- b) The Urban infrastructure problems in India are _____(residence, irrigation, education)
- c) _____ sector plays an important role to counter balance against slowing economic activity and lower consumption.(agrarian, service, infrastructure)
- d) _____ infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation (soft, hard, social)
- e) The basic physical systems of a country's or community's population, including roads, utilities, water, sewage, etc. is called _____(infrastructure , rural development, urbanization)

Answers: (a) power (b) residence (c) infrastructure (d) hard (e) infrastructure

(3). Match the following:

COLUMN A	COLUMN B
p) Hard infrastructure	36) Financial system
q) Soft infrastructure	37) Airports
r) Urban infrastructure problem	38) Roads and schools
s) Infrastructure development	39) channeling of people, vehicles,
t) Rural infrastructure problem	40) Eradicates poverty and unemployment

Answers: (a – 4) (b – 1) (c – 2) (d – 5) (e – 3)

(4). Essay-Type questions:

- a) What is infrastructure? Discuss the types of infrastructure.
- b) Why is there a need to develop the infrastructure of a country?
- c) Discuss the significance of infrastructure in the overall development of the country.
- d) What are the various urban infrastructure problems faced by Indian government?
- e) Discuss the various rural infrastructure problems.
- f) Critically assess infrastructure development in India.
- g) **Short notes:**
 - a) Hard infrastructure
 - b) Need of infrastructure development
 - c) Infrastructure problems

CHAPTER 12

ORGANISATION AND MANAGEMENT

- MEANING AND DEFINITION OF ORGANISATION
- CHARACTERISTICS OF ORGANISATION
- IMPORTANCE OF ORGANISATION
- MEANING AND DEFINITION OF MANAGEMENT
- CHARACTERISTICS OF MANAGEMENT
- DIFFERENCE BETWEEN ORGANISATION AND MANAGEMENT
- OBJECTIVE QUESTIONS WITH ANSWERS
- ESSAY TYPE QUESTIONS FOR SELF PRACTICE

(A) ORGANISATION

Meaning of Organization:

Organization is the foundation upon which the whole structure of management is built. Organization is related with developing a frame work where the total work is divided into manageable components in order to facilitate the achievement of objectives or goals.

Thus, organization is the structure or mechanism (machinery) that enables living things to work together. In a static sense, an organization is a structure or machinery manned by group of individuals who are working together towards a common goal. Alike 'management', the term 'organization' has also been used in a number of ways. Broadly speaking, the term 'organization' is used in four different senses: as a process, as a structure of relationship, as a group of persons and as a system, as given below:

1. **Organization as a Process:** In this first sense, organization is treated as a dynamic process and a managerial activity which is essential for planning the utilization of company's resources, plant and equipment materials, money and people to accomplish the various objectives.
2. **Organization as a Framework of Relationship:** In the second sense organization refers to the structure of relationships and among position jobs which is created to release certain objectives. The definitions of Henry, Uric, Farmland, North court, Lindbergh and Spiegel Breach, Davis, Mooney and Reilly etc., come under this group. For example: According to Mooney and Reilly, "Organization is the form of every human association for the attainment of a common purpose."
3. **Organization as a Group of persons:** In the third sense, organization is very often viewed as a group of persons contributing their efforts towards certain goals. Organization begins when people combine their efforts for some common purpose. It is a universal truth that an individual is unable ability and resources. Barnard has defined 'Organization' as an identifiable group of people contributing their efforts towards the attainment of goals.
4. **Organization as a System:** In the fourth sense, the organization is viewed as system. System concepts recognize that organizations are made up of components each of

which has unique properties, capabilities and mutual relationship. The constituent element of a system is linked together in such complex ways that actions taken by one producer have far reaching effect on others.

In short, organizing is the determining, grouping and arranging of the various activities deemed necessary for the attainment of the objectives, the assigning of people to those activities, the providing of suitable physical factors of environment and the indicating of the relative authority delegated to each individual charged with the execution of each respective activity.

Definitions of Organization

Different authors have defined organization in different ways. The main definitions of organization are as follows:

- According to Keith Davis, "Organization may be defined as a group of individuals, large or small, that is cooperating under the direction of executive leadership in accomplishment of certain common object."
- According to Chester I. Barnard, "Organization is a system of co-operative activities of two or more persons."
- According to Louis A. Allen, "Organization is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives."
- According to Mooney and Riley, "Organisation is the form of every human association for the attainment of a common purpose."

Characteristics / Features of Organisation

The main characteristics or Features of organization are as follows:

1. **Outlining the Objectives:** Born with the enterprise are its long-life objectives of profitable manufacturing and selling its products. Other objectives must be established by the administration from time to time to aid and support this main objective.
2. **Identifying and Enumerating the Activities:** After the objective is selected, the management has to identify total task involved and its break-up closely related component activities that are to be performed by an individual or division or a department.
3. **Assigning the Duties:** When activities have been grouped according to similarities and common purposes, they should be organized by a particular department. Within the department, the functional duties should be allotted to particular individuals.
4. **Defining and Granting the Authority:** The authority and responsibility should be well defined and should correspond to each other. A close relationship between authority and responsibility should be established.

5. **Creating Authority Relationship:** After assigning the duties and delegations of authority, the establishment of relationship is done. It involves deciding who will act under whom, who will be his subordinates, what will be his span of control and what will be his status in the organization. Besides these formal relationships, some informal organizations should also be developed.

Importance Organization

The significance or main advantages of organization are as follows:

1. **It Facilitates Administration and management:** Organization is an important and the only tool to achieve enterprise goals set by administration and explained by management. A sound organisation increases efficiency, avoids delay and duplication of work, increases managerial efficiency, increases promptness, motivates employees to perform their responsibility.
2. **It Help in the Growth of Enterprise:** Good organization is helpful to the growth, expansion and diversifications of the enterprise.
3. **It Ensures Optimum Use of Human Resources:** Good organization establishes persons with different interests, skills, knowledge and viewpoints.
4. **It Stimulates Creativity:** A sound and well-conceived organization structure is the source of creative thinking and initiation of new ideas.
5. **A Tool of Achieving Objectives:** Organization is a vital tool in the hands of the management for achieving set objectives of the business enterprise.
6. **Prevents Corruption:** Usually corruption exists in those enterprises which lack sound organization. Sound organization prevents corruption by raising the morale of employees. They are motivated to work with greater efficiency, honesty and devotion.
7. **Co-ordination in the Enterprises:** Different jobs and positions are welded together by structural relationship of the organization. The organizational process exerts its due and balanced emphasis on the co-ordination of various activities.
8. **Eliminates Overlapping and Duplication or work:** Over lapping and duplication of work exists when the work distribution is not clearly identified and the work is performed in a haphazard and disorganized way. Since a good organization demands that the duties be clearly assigned amongst workers, such overlapping and duplication is totally eliminated.

(B) MANAGEMENT

Definition and Meaning

Management is a continuous, lively and fast developing science. Management is needed to convert the disorganized resources of men, machines, materials and methods into a useful and effective enterprise. Management is a pipeline, the inputs are fed at the end and they are proceeded through management functions and ultimately we get the end results or inputs in the form of goods, services, productivity, information and satisfaction. Management is a comprehensive word which is used in different sciences in the modern business and industrial world. In the narrow sense, it signifies the technique of taking work from others. In this way a person who can take work from others is called manager. In the wide sense, the management

is an art, as well as science, which is concerned with the different human efforts so as achieve the desired objective.

Management has been defined by different authors in a number of ways. Some call it a process of managing. Some call it a coordination of resources, some call it body of personnel challenged in the task of managing while others call it as an organized distinct discipline.

The following are some of the main definitions of management:

1. Management as process:

Kimball, koontz and O'Donnell, Newmann and Summer, Stanley Vance, Theo Haimann, F.C. Hooper and E.F.T Breach they all call it a process. It is evident from the following definitions also:

I. According the Kimball-management may be broadly defined as the art of applying the economic principles that underlie the control of men and materials in the enterprise under consideration.

II. According to Koontz, "Management is the art of getting things done through and with people in formally organized groups."

III. According to Theo haimann, "Management is the function of getting things done through people and directing the efforts of individuals towards a common objective."

IV. According to Sisks, "Management is the process of working of with and other to effectively achieve organizational objectives by efficiently using limited resources in changing environment."

2. Management as an Activity:

According to this approach management consists of those activities, which are performed by managers in attaining the predetermined objectives of the business. This approach may be referred to Henry Fayol, who classified management activities into the following categories:

- Technical - referred to production department.
- Commercial - relates to buying, selling and exchange.
- Financial concerned with maximum utilization of capital.
- Security concurred with protection of property and person.
- According concerned with maintenance of accounts, presentation and statistics and
- Management concerned to planning, organizing, commanding, coordinating and controlling.

3. Management as a group of personnel:

According to this approach human factor plays an important role in accomplishing business objectives. Management is concerned with those who have been managing the affairs of the business. Managers are assigned duties and are also granted requisite authority to perform

their duties efficiently and thus, management is effective direction, coordination and control of individual and group efforts to accomplish business objective.

This approach is advocated by management authorities like Taylor, Wilson and others. They have defined management as following. As per F.W. Taylor's approach, "Management is the art of knowing exactly what you want your men to do and then seeing that they do it in the best and cheapest way."

4. Management as a discipline:

Some times the term 'Management' is used to connote neither the activity nor the personnel who exercise it, but as a substantive describes the subject, the body of knowledge and practices of management as a subject of study. Management is being taught in different college and universities as a distinct subject.

Thus, management, as such is a process, an activity, a discipline and as effort to coordination, control and direct individual and group efforts towards desired goal of the business.

Characteristics / Nature / Features of Management:

The main characteristics of management are as follows:

I. Management is an activity: Management is an activity which is concerned with the efficient utilization of human and non-human resources of production.

II. Invisible Force: Management is an invisible force. Its existence can be felt through the enterprise or institution it is managing.

III. Goal Oriented: Management is goal oriented as it aims to achieve some definite goals and objectives. According to the Haimann, "Effective management is always management by objectives". Managers and other personnel officers apply their knowledge, experience and skills to achieve the desired objectives.

IV. Accomplishment through the efforts of Others: Managers cannot do everything themselves. They must have the necessary ability and skills to get work accomplished through the efforts of others.

V. Universal activity: Management is universal. Management is required in all types or organizations. Wherever there are some activities, there is management. The basic principles of management are universal and can be applied anywhere and in every field, such as business, social, religious, cultural, sports, administration, educational, politics or military.

VI. Art as well as Science: Management is both an art and a science. It is a science as it has an organized body of knowledge which contains certain universal truths and an art as managing requires certain skills which apply more or less in every situation.

VII. Multidisciplinary Knowledge: Though management is a distinct discipline, it contains principles drawn from many social sciences like psychology, sociology etc.

VIII. Management is distinct from ownership: In modern times, there is a divorce of management from ownership. Today, big corporations are owned by a vast number of shareholders while their management is in the hands of paid qualified, competent and experienced managerial personnel.

IX. Need at all levels: According to the nature of task and scope of authority, management is needed at all levels of the organization, i.e., top level, middle and lower level.

X. Integrated process: Management is an integrated process. It integrates the men, machine and material to carry out the operations of the enterprise efficiently and successfully. This integrating process is result oriented.

(C) DIFFERENCE BETWEEN ORGANISATION AND MANAGEMENT

Factors	Management	Organization
Meaning	Management is the art of getting things done through others.	Organization is a process concerned with the activities performed in a company
Definition	Management may be broadly defined as the art of applying the economic principles that underlie the control of men and materials in the enterprise under consideration.	Organization is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives
Working	Management is a continuous, lively and fast developing science	Organization is the foundation upon which the whole structure of management is built.
Function	Management consists of those activities, which are performed by managers in attaining the predetermined objectives of the business.	Organization is treated as a dynamic process and a managerial activity which is essential for planning the utilization of company's resources, plant and equipment materials, money and people to accomplish the various objectives.
Direction	Management is concerned with those who have been managing the affairs of the business.	Organization begins when people combine their efforts for some common purpose.

Role	Management is a discipline, people study it.	Organization is a system, people work in it.
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Questions:**(1). State whether the following statements are true or false:**

- Organization is dynamic in nature.
- Management means a system where the structure of the company is framed.
- Management is needed to convert the disorganized resources of men, machines, materials and methods into a useful and effective enterprise.
- Organization is the structure or mechanism that enables living things to work together.
- Management is an absolute science.

Answers: (a) true (b) false (c) true (d) true (e) false

(2). Fill in the blanks with correct answers from the options.

- “Management is the art of getting things done through people.” This definition is stated by _____
(knoetz, drucker, follet)
- Organization is a _____
(activity, system, discipline)
- The optimum use of resources is ensured by _____
(Management, organizing, management and organization)
- Management is an _____ process.
(integrated, individual, divided)
- Organisation is the foundation upon which the whole _____ of management is built.
(Structure, activity, function)

Answers: (a) knoetz (b) system (c) management (d) integrated (e) structure

(3). Match the following:

COLUMN A	COLUMN B
u) Management activity	41) Organization
v) Organization structure	42) Managers who are assigned duties
w) Discipline	43) Continuous and lively

x) Group of personnel	44) Management
y) System	45) Foundation of enterprise

Answers: (a – 3) (b – 5) (c – 4) (d – 2) (e – 1)

(4). Essay-Type questions:

- a) What is management? Explain the characteristics of management.
- b) What is organization? Explain the features of organization.
- c) Organization requires the four senses: process, structure of relationship, group of persons and a system” Discuss.
- d) Differentiate between organization and management
- e) State the importance of management and organizing in today’s world
- f) Define organization. State its significance.
- g) Short notes:**
 - a) Importance of organization
 - b) Management as an integrated activity
 - c) Nature of management.