

D.N.R COLLEGE (AUTONOMOUS), BHIMAVARAM

DEPARTMENT OF COMMERCE

IB.COM(GEN) –II SEMESTER

BUSINESS ENVIRONMENT



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1. What is meant by Business Environment? What are its characteristics & Components?

INTRODUCTION

Business environment refers to the combination of internal and external factors which affect directly and indirectly business. Internal factors include employees, customer's need, demand and supply, and external factors refer to economic factors, social factors, technological and global factors.

DEFINITION OF BUSINESS ENVIRONMENT

"The total of all things external to firms and industries that affect the function of the organization is called business environment."

-Wheeler

"Environment contains the external factors that create opportunities and threats to the business. This includes socio-economic conditions, technology, and political conditions."

-William Gluck and Jauch

There are some important features which are as follows:

- 1. All external forces:** It includes all external forces, institutions, factors that are external to the business enterprises which directly affect the business operations. **These are Suppliers, investors, customers.**
- 2. General forces:** These forces are indirectly affecting business operations. **Social, Political, Technological, and Legal** conditions are indirectly affecting the business environment.
- 3. Dynamic: It means to keep changing.** The external and internal environment is highly flexible that's why it is essential to scan continuously to run the business smoothly.
- 4. Complex: This is very hard to know the impact of the external environment on organizations or business enterprises.** Sometimes change is minor but its effect is large. For example, government policy changes the tax rate by 4% it may affect the income of the company by a large amount.
- 5. Uncertainty:** Prediction of change in the environment is difficult for businessmen as we know that environment is changing very fast, **for example, It Fashion industry, etc**

Components Of Business Environment

The business environment can be categorised into two types based on the factors within the control or outside the control of a business.

Internal Environment

The internal business environment constitutes several internal forces or elements within the control of a business that influences its operations. These include:

- **Value System:** It is the ethical belief that guides the business towards achieving its mission and objective. The value system includes all components that form a business's regulatory framework .

- **Vision, Mission, and Objectives:** The vision, mission, and objective of a business relate to what it wants to achieve or accomplish in future.
- **Organisational Structure:** It outlines how the activities are directed within the organisation to achieve its goals. It includes the rules, roles, and responsibilities.
- **Human Resources:** Human resources form all the employees and other personnel associated with the business.
- **Physical Resources and Technological Capabilities:** It includes tangible assets and the technical know-how that play an essential role in ascertaining the business's competitive capability and future growth prospects.

External Environment

External components influencing a business environment are further classified into two categories:

- Micro Environment
- Macro Environment

Micro Environment

- **Customers** comprise the target group of the business.
- **Competitors** are other market players who target a similar target group and provide similar offerings.
- **Media** is the channel the business use to market its offering to the customer.
- **Suppliers** include all the parties that provide the business with the resources it needs to perform its operations.
- **Intermediaries** comprise the parties involved in delivering the offering to the final customers.

Macro Environment:

1. Economic Environment:
2. Social Environment:
3. Political Environment:
4. Legal Environment:
5. Technological Environment:

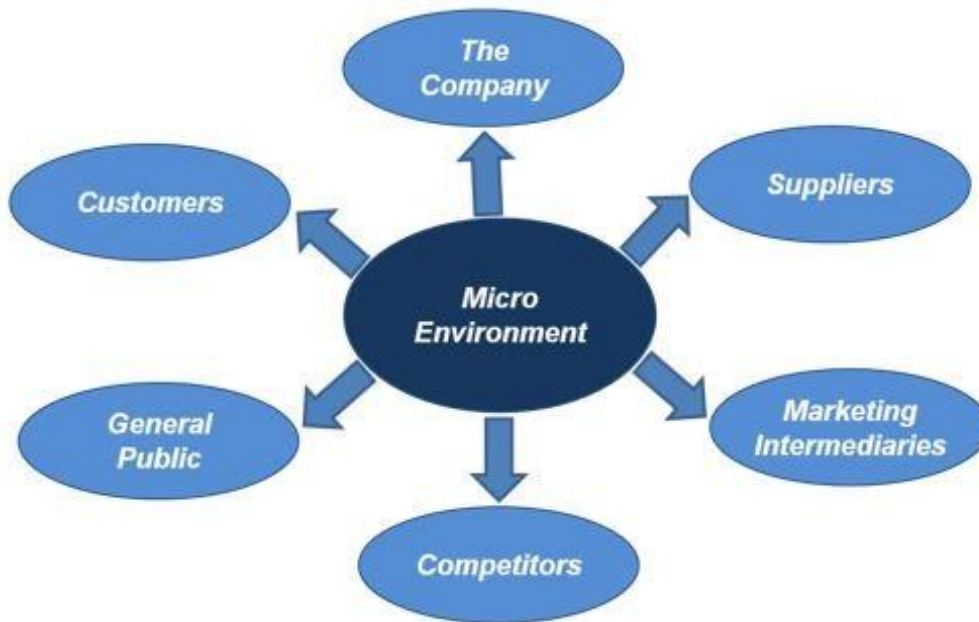
B(ii). Explain about Micro Environment of Business?

Micro Environment

Definition: Micro Environment, refers to the environment comprising of all the actors of an organization's immediate environment which influences the performance of the company, as they have a direct bearing on the firm's regular business operations.

Micro Environmental factors

Micro environment refers to the environment which is in direct contact with company and affects the routine activities of business straight away. It is a collection of forces or factors that are close to the organization and can influence the performance as well as the day to day activities of the firm. Six components of micro environment are: *Company, Suppliers, Marketing Intermediaries, Competitors, General Public* and the *Customers*.



The Company

Various groups in an organization like the top management, finance, operations, human resourcing, research and development (R&D), accounting etc needs to be taken into account by the marketing management for designing the marketing plans. Marketing managers needs to work closely with them as that will help them to make decisions with broader strategies and plans.

Suppliers

The suppliers are an important part of an organization's overall customer value delivery network. They are the ones who provide inputs to business like raw materials, parts, cutting tools, equipments etc. The quality and reliability of vendors are very essential for smooth functioning of business of any organization. Marketing managers must have a control on the suppliers availability and costs. Any shortage or delays of supplies, in terms of natural disasters or other events can cause damage to sales in short run and lead to customer dissatisfaction in the long run.

Marketing Intermediaries

The marketing intermediaries are also an important component for company's overall value delivery network. They include those individuals or firms who help the company in promotion, sales and distribution of its goods to the final buyers. Examples includes *middlemen* (agents or

merchants) who help the company find customers, *physical distribution firms* such as warehouses or transportation firms that help the company in stocking and moving goods from their origin to the destination and *marketing service agencies* such as market research and advertising firms.

Competitors

Competitors are rivals who compete with the organization in market and resources as well. According to the marketing concept, a company needs to provide greater customer value and satisfaction than its competitors, in order to be successful. The marketers must not only try to simply adapt to the needs and demands of target customers, but also try to attain strategic advantage against the competitors by positioning their products strongly in the market.

General Public

The public refers to the group of people who have an actual or potential interest in company's product or who can have an impact on the organization's ability to achieve its objective. There are seven types of publics identified in a company's marketing environment which includes financial publics, media publics, government publics, citizen-action publics, internal publics, local publics and general public.

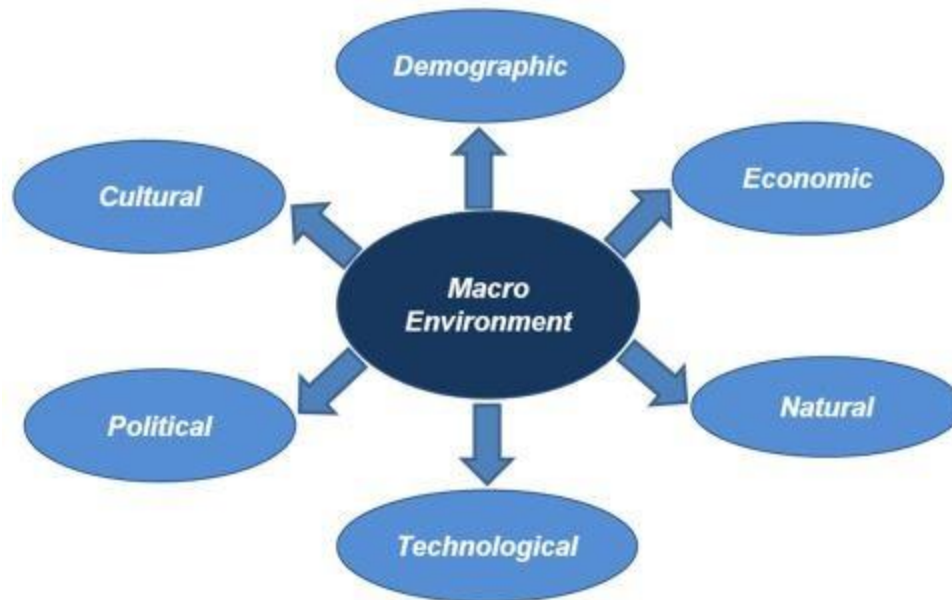
Customers

The most important actors in the company's microenvironment are its customers. The whole of value delivery network aims to engage the target customers and create strong relationships with them. There are five types of customer markets that companies might try to target. These include consumer markets, business markets, government markets, reseller markets, and the international markets.

C(iii). What are the External Factors of the Business Environment? Explain

Macro Environmental factors

Macro environment refers to the major external and uncontrollable factors that influence the decision making of an organization. A company does not operate alone in its business environment, but operates in a larger context. It comprises of forces that provide opportunities, but at the same time also pose threats to company. Six components of macro environment are *Demographic, Economic, Natural, Technological, Political* and *Cultural* environments.



Demographic environment

Demography can be defined as the study of human population in context of size, density, age, location, gender, race, occupation and other statistics. The marketers have special interest in the demographic environment because it consists of people and people are the driving force for development of markets. The large and diverse demographics offer both opportunities as well as challenges for businesses.

Economic environment

The economic environment consists of factors that can affect consumer purchasing power as well as the spending patterns. As an example, it is not advisable for a company to start exporting its goods to a country before having examined the citizens spending patterns. Important economic criteria includes GDP, GNI, Import duty rate, unemployment, inflation, spending patterns as well as the disposable personal income.

Natural environment

It refers to the natural resources or physical environment that are required as inputs by marketers or which is affected by the marketing activities. The ecological conditions have become a crucial factor to consider as the environmental concerns have grown strongly in the recent years. Example, air and water pollution, floods, droughts, etc.

Technological environment

Technology has a crucial influence in the macro environment. An organization needs to perform a thorough research on the spread and use of technology, before investing in any of marketing

activities. The company needs to have an understanding of the technology penetration as well as user interface technology in the region and make plans accordingly for their communication and campaigns.

Political environment

The developments in the political environment strongly affect the marketing decisions. This involves laws, government agencies, as well as the pressure groups that can influence or give constraints to various individuals or organizations in a given society.

Cultural environment

The cultural environment links to factors which affects the basic values, preference, perceptions and behavior of the society. Organizations needs to understand the cultural beliefs and practices prevalent in society for marketing decision making. Failure of companies in understanding foreign cultures can lead to many cultural blunders. For example, a symbol having a positive meaning in one culture can have a negative meaning in some other culture.

Importance of Business Environment:

The importance of business environment explains with the help of the following points:

1] Help to understand internal Environment:

It is very much important for business enterprises to understand their internal environment, such as business policy, organization structure, etc. In such a case an effective management information system will help to predict the business environment changes.

2] Help to Understand Economic System:

The different kinds of economic systems influence the business in different ways. A businessman and business firm need to know about the role of capitalists, socialist and mixed economy.

3] Help to Understand Economic Policy:

Economic policy has its importance in the business environment and it has an important place in business. Also, the business environment helps to understand government policies such as export-import policy, price policy; monetary policy, foreign exchange policy, industrial policy, etc. have much effect on business.

4] Help to Adapt and Adjust with the Rapid Changes:

In today's world, changes are taking place very fast and these fluctuations have a great impact on business. So it is important to understand these changes as fast as possible. The business environment helps to scan the problems of the companies and also helps to remove them for future benefits.

5] Help to Understand Market Conditions:

An enterprise must know the market structure and changes taking place in it. The knowledge about the increase and decrease in demand, supply, monopolistic practices, government participation in business, etc., is necessary for an enterprise.

These describe the nature of business environment:

1. **Related to Economic Activities** The main objective of the business is to earn profits. Hence, the business environment is related to the economic activities of the person (entrepreneur) like trade, commerce, industries, and direct services etc.
2. **Dynamic Concept** The business environment is the dynamic concept. The components of the environment are also subject to change according to the country timings, circumstances, etc.
3. **Effects Various Factors** The business and its environment are interdependent and also have natural effects. The entrepreneur or the owner of the business cannot overlook this environment and its factors.
5. **The Market of Business** The environment of the business is the market of the business also because every entrepreneur provides his products and services to this environment where he earns income profits from environment alone.
6. **Effect of Economic Systems** Economic systems also affect the business environment. The business environment of any particular country is in consonance with capitalist, communist, socialist, and mixed systems, etc.

SWOT Analysis

Advantage: Problem Domain

SWOT analysis can be applied to an organization, organizational unit, individual or team. In addition, the analysis can support a number of project objectives. For example, the SWOT method can be used to evaluate a product or brand, an acquisition or partnership, or the outsourcing of a business function. In addition, SWOT analysis can be beneficial in evaluating a particular supply source, a business process, a product market or the implementation of a particular technology.

Advantage: Application Neutrality

SWOT analysis is conducted by specifying an objective and conducting a brainstorming session to identify internal and external factors that are favorable and unfavorable to the objective's achievement. This approach remains the same whether the analysis supports strategic planning, opportunity analysis, competitive analysis, business development or product development processes.

Advantage: Multi-Level Analysis

You can gain valuable information about your objective's chances by viewing each of the four elements of the SWOT analysis – strengths, weaknesses, opportunities and threats – independently or in combination. For example, identified threats in the business environment, such as new government regulations regarding a product design or the introduction of competing products, might alert the business owner that a proposed investment in a new manufacturing production line should be more carefully evaluated.

In addition, an awareness of a company weakness such as a lack of qualified employees might suggest a need to consider outsourcing particular functions. In turn, opportunities such as the availability of low-interest loans for startups might encourage the entrepreneur to pursue the development of a new product to meet a rising customer demand. In contrast, identified strengths, such as extensive experience in an industry experiencing rapid international growth, might suggest the need to partner with foreign companies.

Advantage: Data Integration

SWOT analysis requires the combination of quantitative and qualitative information from a number of sources. Access to a range of data from multiple sources improves enterprise-level planning and policy-making, enhances decision-making, improves communication and helps to coordinate operations.

Advantage: Simplicity

SWOT analysis requires neither technical skills nor training. Instead, it can be performed by anyone with knowledge about the business in question and the industry in which it operates. The process involves a facilitated brainstorming session during which the four dimensions of the SWOT analysis are discussed. As a result, individual participants' beliefs and judgments are aggregated into collective judgments endorsed by the group as a whole. In this way, the knowledge of each individual becomes the knowledge of the group.

Advantage: Cost

Because SWOT analysis requires neither technical skills nor training, a company can select a staff member to conduct the analysis rather than hire an external consultant. In addition, SWOT is a somewhat simple method that can be performed in a fairly short time.

Disadvantage: No Weighting Factors

SWOT analysis leads to four individual lists of strengths, weaknesses, opportunities and threats. However, the tool provides no mechanism to rank the significance of one factor versus another within any list. As a result, it's difficult to determine the amount of any one factor's true impact on the objective.

Disadvantage: Ambiguity

SWOT analysis creates a one-dimensional model which categorizes each problem attribute as a strength, weakness, opportunity or threat. As a result, each attribute appears to have only one influence on the problem being analyzed. However, one factor might be both a strength and a weakness. For example, locating a chain of stores on well-traveled streets that grant easy access to customers might be reflected in increased sales. However, the costs of operating high-visibility facilities can make it difficult to compete on price without a large sales volume.

Disadvantage: Subjective Analysis

To significantly impact company performance, business decisions must be based on reliable, relevant and comparable data. However, SWOT data collection and analysis entail a subjective process that reflects the bias of the individuals who collect the data and participate in the brainstorming session. In addition, the data input to the SWOT analysis can become outdated fairly quickly.

(iii) What is PEST Analysis ? Explain its Advantages and Disadvantages ?

"PEST" is an acronym for "political, economic, social and technological." It's a way of understanding how external forces impact your business. This concept was created by Harvard professor Francis Aguilar in 1967. It should be included in every business plan, in addition to a [SWOT analysis](#), because it is an essential component of risk management and strategy design.

P – Political

According to Donna Lubrano, senior advisor at Northeastern University, the political environment is an analysis of what politics is doing to the business world.

"We see this currently in the United States, particularly in the area of international business," she said. "We look at [tariffs and trade deals](#) as they are developed not only by the economics or business side, but what political relationships influence those decisions."

Government regulations and legal issues affect a company's ability to be profitable and successful, and the political environment factor looks at how that can happen. Issues such as tax guidelines, copyright and property law enforcement, political stability, trade regulations, social

and environmental policy, employment laws, and safety regulations should all be considered. Companies should also weigh their local and federal power structure and discuss how anticipated shifts in power could affect their business.

E – Economic

The economic factor examines outside economic issues that play a role in a company's success. Look at interest rates, [exchange inflation](#), unemployment, [gross domestic product](#), credit availability and rise and fall of the middle class. Lubrano noted it's important to look at what the Fed is doing in terms of the tax rate, as "this is what your pocketbook/wallet lives on every day."

S – Social

Analyze the socioeconomic environment of the given industry's market to understand how consumer needs are shaped and what brings them to the market for a purchase. [Examine demographics](#), population growth rates, age distribution, attitudes toward work and job market trends.

"We look at what changes in culture and society are taking place," Lubrano said. "The drive to eat healthier, the drive to care for the environment, baby boomers staying in the workforce longer, adults having fewer children later in life – all of these impact how consumers buy houses, cars, etc."

T – Technological

Technology plays a huge part in business. With the introduction of new products, [new technologies and new services](#), your marketplace could have a tough time adjusting, so it's important to assess technology from all angles.

Specific items to scrutinize include, but are not limited to: government spending on technological research, the life cycle of current technology, the role of the internet and how any changes to it may play out, and the impact of potential information technology changes.

Benefits of a PEST analysis

There are numerous benefits of conducting a PEST analysis that can reap dividends for your business.

A greater understanding of your company

No company is an island; each business is intricately connected to its customers and society. By understanding the factors that have a positive or negative effect on your [business success](#), you can get a sense of how your business can make a difference in other people's lives. This confers a stronger sense of purpose.

More effective long-term strategic planning

Conducting a PEST analysis every year informs your decisions for the future and prevents you from being caught by surprise. You have the opportunity to prepare for changes in the market and society in general. This will save you money, prevent lost revenue, and position you well against competitors.

Heightened attention to potential threats and dangers

When you are aware of potential threats, you can do something about them either to deal with them, avoid them or prevent them altogether. Proactively implement policies to gain a competitive edge, devote resources toward influencing laws that may potentially hurt you, or make strategic alliances that give you a stronger market position.

Insight for valuable business opportunities

Be the first in your field to take advantage of beneficial government policies or market opportunities. By keeping your finger on the pulse of the market, you can be in the right place with the right message. Bolster your company's reputation and goodwill by instituting policies that are viewed as [ethical and responsible](#).

Limitations of a PEST analysis

There are a few disadvantages of doing a PEST analysis as well.

- **Ever-changing environments:** Because all of these environments are so dynamic, your analysis could be outdated within days or even hours.
- **A lot of guesswork:** You'll have to make a lot of assumptions on some factors, so there's always a chance of miscalculation.
- **Data overload:** Because a PEST analysis involves such large datasets, it takes careful analysis to parse it and decide how to use it to your advantage.
- **Risk of inaccuracy:** Most of the time, you'll be getting your information from outside sources, so you can't be certain it's 100% accurate.

Review the Progress of Five Years Plans in India ?

1 Introduction : Indian planning is an open process. Much of the controversy and the debates that accompany the preparation of the plans are public. The initial aggregate calculations and assumptions are either explicitly stated or readily deducible, and the makers of the plans are not only sensitive but responsive to criticism and suggestions from a wide variety of national and international sources. From original formulation through successive modifications to parliamentary presentation, plan making in India has evolved as a responsive democratic political process and the culmination of the same in the final document is an impressive

manifestation of the workings of an open society. But by its very nature it also generates many problems from the point of view of mapping an optimal strategy for economic development.

Plan	
First Plan(1951-56)	It was based on Harrod-Domar Model .
Target Growth :2.1%	Influx of refugees, severe food shortage & mounting inflation confronted the country at the onset of the first five year Plan.
Actual Growth 3.6%	The Plan Focussed on agriculture , price stability, power and transport
	It was a successful plan primarily because of good harvests in the last two years of the plan. Objectives of rehabilitation of refugees, food self sufficiency & control of prices were more or less achieved.
Second Plan(1956-61)	Simple aggregative Harrod Domar Growth Model was again used for overall projections and the strategy of resource allocation to broad sectors as agriculture & Industry was based on two & four sector Model prepared by Prof. P.C Mahalanobis. (Plan is also called Mahalanobis Plan).
Target Growth: 4.5%	Second plan was conceived in an atmosphere of economic stability. It was felt that agriculture could be accorded lower priority.
Actual Growth: 4.3%	The Plan Focussed on rapid industrialization-heavy & basic industries . Advocated huge imports through foreign loans.
	The Industrial Policy 1956 was based on establishment of a socialistic pattern of society as the goal of economic policy.
	Acute shortage of forex led to pruning of development targets, price rise was also seen (about 30%) vis a vis decline in the earlier Plan & the 2 nd FYP was only moderately successful .
Third Plan(1961-66)	At its conception, it was felt that Indian economy has entered a " take-off stage ". Therefore, its aim was to make India a ' self-reliant ' and ' self-generating ' economy.
Target Growth: 5.6%	Based on the experience of first two plans (agricultural production was seen as limiting factor in India's economic development), agriculture was given top priority to support the exports and industry.
Actual Growth: 2.8%	The Plan was thorough failure in reaching the targets due to unforeseen events - Chinese aggression (1962), Indo-Pak war (1965), severe drought 1965-66. Due to conflict the approach during the later phase was shifted from development to defence & development .
Three Annual Plans	Failure of Third Plan due to devaluation of rupee (to boost exports) along with inflationary recession led to postponement of Fourth FYP. Three Annual Plans were introduced instead. Prevailing crisis in agriculture and serious food shortage necessitated the emphasis on agriculture during the Annual Plans.

ns(1966-69) euphemistically described as Plan holiday.	<div>During these plans a whole new agricultural strategy was implemented. It involving wide-spread distribution of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation.</div> <div>During the Annual Plans, the economy absorbed the shocks generated during the Third Plan</div> <div>It paved the path for the planned growth ahead.</div>
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Explain about Micro Economic Factors and Macro Economic Factors ?

Micro & Macro Economic Factors Affecting Your Business

In economics, macroeconomics encompasses the societal perspective on resource allocation. While microeconomics involves factors of resources availability and usage that impact individuals and businesses individually. As a company operator, understanding the core macroeconomic and microeconomic factors affecting your business helps in planning and preparation, as well as long-term business strategy development. The Top microeconomic business factors that affect almost any business are customers, employees, competitors, media, shareholders and suppliers while the top macroeconomic factors affecting your business are economic growth rates, interest rates, unemployment, international trade and inflation.

The Impact of Customers

Customers have the most direct microeconomic impact on a business. The simple fact is that you can't successfully operate a for-profit company without attracting targeted customers. Knowing your ideal customer types and developing and presenting effective marketing campaigns are integral to building a customer base and generating revenue streams.

Availability of Employees

Your workers produce, sell or service the goods and service that drive your business. The availability of qualified, motivated employees for your business type is vital to economic success. If you operate a highly technical business, for instance, you might have to pay more in salary to attract a limited number of available, specialized workers.

Distribution Channels and Suppliers

Sourcing goods used in production or resale and distributing your inventory to customers are important as well. Manufacturers rely on materials suppliers and resale companies rely on manufacturers or wholesalers to transport goods. To operate profitably, you need to get good value on products and supplies and, in turn, offer good value to your customers with accessible solutions.

Level of Competition

The level of competition also impacts your economic livelihood. In theory, more competitors means your share of dollars customers spend diminishes. However, a large number of competitors in an industry usually signifies lots of demand for the products or services provided. If an industry lacks competition, you might not find enough demand to succeed in the long run.

Availability of Investors

Shareholders and investors may help fund your company at start-up or as you look to grow. Without funds to build and expand, you likely can't operate a business. You could look to creditors, but you have to repay loans with interest. By taking on investors, you share the risks of operating and often gain support and expertise. You do give up some control, though.

Media and the General Public

Your local community and media also affect your ongoing business image. Communities often support companies that provide jobs, pay taxes and operate with social and environmental responsibility. If you don't do these things, you may run into negative public backlash. Local media often help your story proliferate, for better or worse.

Top Macroeconomic Factors That Affect almost every Business

Macroeconomic factors impact businesses by altering market fluctuations. For this reason, business owners like yourself conduct macroeconomic research frequently. They use their findings to make [crucial business decisions](#) in the hopes of staying above water during economic shifts. If you want to scale your business regardless of the economy, read this post and learn the top macroeconomic factors that affect business. Then, you can prepare for anything the market throws your way.

Economic Growth Rates

One macroeconomic factor that affects business is the economic growth rate. To measure growth, you can use the gross national product (GNP), gross domestic product (GDP), or sales rates. When sales rates change due to the economy, businesses need to respond accordingly. If the economy grows stronger, you will need to increase your production rates to keep up with demand. In turn, you further contribute to the overall economic growth rate. Then, you can take advantage of the higher demand and customers' willingness to purchase products. Business owners often hire more employees when the economy is strong because they want to [out-do their competitors](#) when they have the chance. Therefore, this macroeconomic factor impacts business.

Interest Rates

Another macroeconomic factor that affects business success is the interest rate. Changes in interest rates particularly impact businesses that take out loans. A large portion of the small businesses operating in the market today take out business loans to grow their companies. Therefore, interest rates are relevant to many businesses. These companies need to conduct macroeconomic research to stay on top of their finances. If a small business owner is not prepared for a shift in interest rates, they could end up putting their business in a poor financial state. After all, the higher interest rates rise, the more business owners have to pay. Keep this macroeconomic factor in mind if you take out business loans.

Unemployment

Moreover, unemployment directly impacts businesses in numerous ways. As unemployment rates rise, you can find more candidates for open positions at your company. The negative side of a rise in unemployment is the lower consumer spending rates. When consumers get laid off from their jobs and have trouble finding new ones, they do not have the finances to purchase products. As a result, business owners like you sell less products and, in turn, earn less profits. While unemployment could be good for your hiring costs, it could hurt the company's top line revenues overall. Depending on the industry, unemployment rates effect businesses on a variety of macroeconomic levels.

International Trade

Companies also conduct [macroeconomic research](#) to stay up-to-date on international trade trends. This macroeconomic factor can affect your business if you currently sell and ship products overseas. If you have not scaled your business to sell globally yet but want to, this factor still impacts your company's success. Typically, companies that expand internationally experience double digit growth rates. However, if the desire of free trade agreements decreases, companies' chances of growing their companies into international corporations decreases as well. Therefore, this macroeconomic factor affects both large enterprises and smaller companies trying to scale their brands.

Inflation

Finally, inflation influences business success across multiple industries. Whether you own an online [retail store](#) or a restaurant franchise, you need to track this macroeconomic factor. Inflation accounts for the increasing prices of goods due to the increased supply of cash within the economy. When prices for goods and services

rise, the nation's ability to purchase the items decreases at the same rate. In turn, businesses have to charge more for their goods and services. In more unique situations, deflation occurs when the prices of goods and services decline. During deflation, consumers have more purchasing power. Hence, they can purchase more products and services. This, too, directly impacts the amount of sales businesses make. Pay close attention to inflation since it can either negatively or positively affect your business.

Because macroeconomics impact [businesses' profits](#), you need to conduct macroeconomic research on a variety of factors. For instance, sales rates for businesses in all industries shift as the economy does. If you obtain enough capital to operate your company through loans, you need to monitor interest rates and predict how they will change with the economy. Unemployment rates affect companies in a variety of ways as well. International trade influences the success of both international companies and

The Mixed Economy is a system that combines capitalism and socialism. The Mixed Economy incorporates the benefits of capitalism and socialism while avoiding their drawbacks.

Under a Mixed Economy, the private and public sectors coexist. Economic activity is directed by the government toward particular socially significant sectors of the Economy, and the balance is determined by the operation of the pricing mechanism.

The public and private sectors collaborate to achieve social objectives within the framework of a common Economic plan.

The private sector is a significant component of the Mixed Economy and is regarded as a critical engine of [Economic growth](#). India is widely recognised as the world's best example of a Mixed Economy.

What are the features of a Mixed Economy?

- **Coexistence of all the Sectors**

In the Mixed Mixed Economy system, all three sectors exist together, that is the private sector, public sector and joint sector. The government and private companies together hold the responsibilities of the respective division. 51% of the total ownership belongs to the state itself.

- **Cooperative Sector**

According to the Mixedmixed Economy definition, a cooperative sector exists in a Mixed Mixed Economy. The significance of this sector is vital. In Mixed Mixed Economy countries, the government provides necessary items and financial aids to the areas involved in cooperative societies like warehousing, dairy industry and more.

- **Freedom and Control**

To be precise, in a Mixed Mixed Economy, we denote that the individuals have complete liberty to manufacture goods and items and choose property and occupation according to their choice. The regulating body maintains control to avoid all sorts of discrimination and monopolistic issues.

- **Economic Planning**

In a Mixedmixed Economy, the central planning authority exists. All the sectors of the firm follow this rule and plan to pursue their goals. The plan is solely observed with the motive to attain national Economic growth.

- **Social Welfare**

The significant look out of a Mixedmixed Economy is the social welfare of society. It focuses on eliminating the unemployment issues from the country. The Mixedmixed Economy definition further says it enhances social security and public education facilities.

Apart from the above features a Mixedmixed Economy might also inherit most of the downsides associated with the other types of economies. It all depends on which aspects of the Mixedmixed Economy are highlighted.

For example, if the Market has too much freedom, it may leave society's less competitive members without government assistance. Government industries are likewise hampered by central planning.

The defence sector could become a monopoly or oligarchy system financed by the government. This could raise the country's debt, stifling long-term Economic progress.

Successful companies can persuade the government for further tax cuts and subsidies. The government may overprotect the free Market to the point of underregulation.

Businesses that were too big to fail, for example, could be bailed out by the government if they went bankrupt.

Mixed Economy - Merits

The following are the significant advantages of a Mixed Economy:

1. In a Mixed Economy, there is competition between public and private sectors, which ultimately results in increased efficiency and productivity.
2. Profits from public sector firms accrue to the government, and as a result, income inequality decreases under a Mixed Economy.
3. Economic activities are systematically planned in a Mixed Economy. The government plans the entire Economic system in detail.
4. Since Economic activities are planned, Economic stability prevails in a Mixed Economy.

5. In a Mixed Economy, goods are produced according to consumer preferences, which results in consumer sovereignty.
6. In a Mixed Economy, enterprise flexibility and profit incentive are critical. Due to these factors, initiative, innovation, and productivity always tend to grow.
7. A Mixed Economic system also prioritises social welfare.
8. A Mixed Economy protects individual rights.
9. The Mixedmixed Economy combines both the features of a socialist and capitalist Economy. Therefore, advantages from both sectors are present in a Mixedmixed Economy. For example, absolute individual liberty is there in a diverse Economy. Again, Economic freedom can be gained too in a Mixedmixed Economy.
10. An arguably Mixedmixed Economy is the method to establish socialism in a country following peaceful and democratic ways. For example, the Economy can move towards socialism through the progressive extension of the public sector.
11. In a Mixedmixed Economy, the private sector's efficient management is combined with the public sector's financial soundness. Resultantly, the country achieves a rapid rate of Economic growth.
12. The evils of the capitalist system, such as inflation, unemployment, etc., can be removed in the Mixedmixed Economic order. In the modern world, the objective of the government is to establish a welfare state. In the welfare state, the government aims at achieving maximum welfare for the maximum number of people. Arguably, maximum prosperity can be gained through the extension of the public sector. It is possible only in a Mixedmixed Economic system. This one is among the most significant advantages of a Mixed Mixed Economy

UNIT-IV

4.A(i).what are the constituents of social factors?

1. Physical Environment:

Certain geographic changes sometimes produce great social change. Climate, storms, social erosion, earthquakes, floods, droughts etc., definitely affect social life and induce social change. Human life is closely bound up with the geographical conditions of the earth.

2. Demographic (biological) Factor:

The social structure of a society is closely related with the changes in the size, composition and distribution of population. The size of the population is based mainly upon three factors—birth rate, death rate and migration (immigration and emigration).

Population analysis shows that there is a relationship between population changes and economic, social and cultural variables like poverty, illiteracy, ill-health, family structure, forms of marriage, work etc. Population growth is the most important factor in poverty.

3. Cultural Factor:

It is an established fact that there is an intimate connection between our beliefs and social institutions, our values and social relationships. Values, beliefs, ideas, institutions are the basic elements of a culture. Certainly, all cultural changes involve social change.

Cultural change in society has two major aspects:

- (a) Cultural change by discovery and invention, and
- (b) Cultural change by diffusion and borrowing.

The first comes from within a society and culture, and the second from another culture outside of the society. Socio-cultural changes are also brought about by people from other cultures all over the world.

4. Ideational Factor:

Among the cultural factors affecting social change in modern times, the development of science and secularisation of thought have contributed a lot to the development of the critical and innovative character of the modern outlook..

5. Economic Factor:

Of economic influences, the most far-reaching is the impact of industrialisation. It has revolutionised the whole way of life, institutions, organisations and community life. In traditional production systems, levels of production were fairly static since they were geared to habitual, customary needs.

6. Political Factor:

State is the most powerful organisation which regulates the social relationships. It has the power to legislate new laws, repeal old ones to bring social change in the society. Laws regarding child marriage, widow remarriage, divorce, inheritance and succession, untouchability are some of the examples which have brought many changes in the social structure of Indian society.

(ii). What are the corporate social responsibilities of the board of directors?

Importance of Corporate Social Responsibility

CSR is an immense term that is used to explain the efforts of a company in Order to improve society in any other way.

CSR improves the public image by publicizing the efforts towards a better society and increase their chance of becoming favourable in the eyes of consumers.

CSR increases media coverage as media visibility throws a positive light on the organization. CSR enhances the company's brand value by building a socially strong relationship with customers.

Role of Board of Directors:

The role of the Board of Directors is as follows:

After considering the recommendations made by the CSR Committee, approve the CSR policy for the Company. The Board must ensure only those activities must be undertaken which are mentioned in the policy.

- After considering the recommendations made by the CSR Committee, approve the CSR policy for the Company.
- The Board must ensure only those activities must be undertaken which are mentioned in the policy.
- The Board of Directors shall make sure that the company spends in every financial year, minimum of 2% of the average net profits made during the 3 immediately preceding financial years as per CSR policy.
- In case a company has not completed 3 financial years since its incorporation, the average net profits shall be calculated for the financial years since its incorporation.

CSR Policy :

CSR Policy elaborates the activities to be undertaken by the Company as named in Schedule VII to the Act and spend. The activities should not be the same which are done by the company in its normal course of business

- Contents of CSR Policy should be placed on the company's website by the Board.
- The activities mentioned in the policy must be undertaken by the company.
- The Company can join hands with other companies for undertaking projects or programs or CSR activities and report separately on such programs or projects.

The CSR policy shall monitor the projects or programs.

(iii). Explain the role of government in business development?

Role of government in business development:

Permission to Form and Operate

Most businesses need to register with a state government to operate. Corporations need a charter, and other forms of businesses, such as limited liability companies or partnerships, need other forms of registration. The function of this registration is usually to define the financial liability the owners of the company have.

Creating and Enforcing Contracts

Businesses contract with other businesses. These contracts may be complex, such as mergers, or they may be as simple as a warranty on supplies purchased. The government enforces these contracts. Companies bring one another to court just as individuals do. An oral agreement can constitute a contract, but usually only a written agreement is provable.

Consumer Protection and Safety

The government's role in business includes protecting the consumer or customer. When a vendor fails to honor the guarantee, the purchaser has recourse in the law. Likewise, when a product causes harm to an individual, the courts may hold the vendor or manufacturer responsible. Labeling is another requirement the government imposes on marketers.

Employee Rights and Protections

Many state and federal agencies work to protect the rights of employees. The Occupational Health and Safety Administration, for example, is an agency under the Department of Labor. Its mission is to ensure a safe and healthful work environment. The Equal Opportunity Commission protects employees from discrimination.

Environmental Regulations and Protection

When a marketing transaction impacts a third party – others besides the marketer and purchaser – the effect is called an “externality.” The third party is often the environment. Thus, it is the government's role to regulate industry and thereby protect the public from environmental externalities.

Revenue and Taxation

Governments at all levels tax businesses, and the resulting revenue is an important part of government budgets. Some revenue is taxed at the corporate level, then taxed as personal income when distributed as dividends.

Investor Rights and Protection

Government mandates that companies make financial information public, thereby protecting the rights of investors and facilitating further investment. This is generally done through filings with the Securities and Exchange Commission.

(OR)

4.B(i). What are the advantages and disadvantages of political environment?

Politics refers the competition of methods and ideas surrounding the process of making decisions within any organizational structure. While the term can be accurately applied to situations such as office politics or the politics of social groups, it generally refers to decision making and legislation at the governmental level. This state of competition among voters and decision makers has a number of advantages, but is not without its disadvantages.

Advantage:

In a ruling environment without competing political factions, the ruling party simply does as it pleases. While this might be efficient, it means that segments of the population that disagree with how the government is governing have no legal recourse within the governing system. In a ruling environment without competing political factions, the ruling party simply does as it pleases.

- While this might be efficient, it means that segments of the population that disagree with how the government is governing have no legal recourse within the governing system.

Advantage:

While a government composed of individuals who all agree with each other may be a harmonious, it suffers from a lack of intellectual dynamism.

Disadvantage:

While a political environment can produce high-minded competition of ideas and compromises that ensure legislation reflects the views of all citizens at its best, it can produce utter dysfunction at its worst.

Cynicism:

"A politician owes the people not only his industry but his judgment." In a Republican government, of which form most democratic societies take, people vote for a representative whose opinions align with their own. However, when political careerism, the desire to simply stay in power, meets charged political environments, the result is politicians whose stances are not dictated by what they believe.

(ii). Explain about legal and political environments?

Political-Legal Environment

The political-legal environment is a combination of a lot of factors such as the current political party in power, the degree of politicization of trade and industry, the efficiency of the current government, government policies, current legal framework, the public attitude towards the economy, etc.

All these factors will shape the political-legal environment in which the firm has to operate and compete. There are three main elements of a political-legal environment. Let us have a look.

1] Government:

You must have often heard that an election year is an extremely important factor for the economy. This is why the type of government governing at the centre and the state has a huge impact on the businesses. The government decides all the fiscal policies, monetary policies, and taxation modules as well.

2] Legal:

A sound legal system is essential to the success of any business. So a country must have a sound and functioning legal system with laws that equally protect both consumers and manufacturers. There are various other matters like company law, royalties law, patent law, intellectual property rights.

International laws etc that also have a great influence on the business of firms. For example, the new GST laws are going to have a significant effect on the businesses.

3] Political:

Political stability in a country is essential for a stable economy and stock market. Also, various political groups also hold a lot of influence on businesses and unions. So the political environment of a country is a major factor in the success of a firm.

(iii).What is the impact of GST on various sectors?

1. Impact of GST on Retailers, Distributor, and Manufacturing Sector :

Goods & Services Tax has boosted performance and competitiveness in India's retailers, distributors and manufacturing sectors. Declining exports and high expenses are only a portion of the worries of this sector. Various Indirect Taxes in place earlier increased expenses for distributors and manufacturers

2. Impact of GST on Agricultural Sector :

The **impact of GST on the agricultural sector** or the **effect of GST on agriculture** is positive. The agricultural sector is a significant sector to the overall Indian Gross Domestic Product. It covers around 16% of the Indian Gross Domestic Product.

Transportation may be the most likely issue for the agricultural sector with regard to Goods & Services Tax. Goods & Services Tax may help India in forming its first National Market for agricultural items.

3. Impact of GST on Textile Sector:

GST has shown a positive effect upon readymade and textile pieces of garments, as one of the **GST benefit sectors**. This new system is beneficial to them. Some of the advantages which GST gave to the textile sector are:

1. The Input Tax Credit or ITC framework or chain.
2. Input Tax Credit or ITC is currently available on the capital goods.
3. The cost for the transporting is currently lower in contrast with the past tax system.

4. Impact of GST on the IT Sector:

Although the Goods & Services Tax rate for services has increased to 18%, compared with the older system the Information Technology Sector is one of the **GST benefit sectors**. The main areas of the **GST impact on IT sector** are below:

1. The simpler Tax Rate Administration
2. Removal of Cascading(double tax) Effect of Taxes
3. Business Restructuring
4. E-commerce
5. Opportunities in creating software for GST

5. Impact of GST on Banking Sector:

With the introduction of GST, the banking sector has turned out to be more costly. **Before, the tax rate of the services for the banking sector was 15%. However, after the implementation of GST, the tax rate has been increased on all the banking areas to 18%.** These are a few effects of GST on the banking sector:

1. Each separate part of Banks should have separate registration
2. Place of supply identification
3. Reliance upon CGST and SGST
4. The transactions between banks aren't free
5. Input Tax Credit or ITC in GST

6. Impact of GST on Hotel and Tourism:

Income generated from the tourism and hotel industry forms an important part of the Indian economy. They help in expanding the GDP of India. This is the reason each State Government continues advancing the travel industry of their state by different schemes. The rate of GST varies for the inns as a result of the tariffs.

Goods & Services Tax rates for hotels are dependent on room tariff with impact from 1st October 2019.

1. If the tariffs range below Rs. 1,000, then there will be no GST.
2. If the tariff ranges between Rs. 1,000 to Rs. 7,500, then 12% GST will be levied.
3. If the tariff is more than Rs. 7,500, then 18% GST will be levied.

7. Impact of GST on the Entertainment Industry:

The entertainment industry is one of the GST benefit sectors. Before the implementation of GST, the entertainment sector had many taxes. They are not restricted to one tax or duty. They included the state tax, central tax and tax by the local authorities. However, when GST came into motion, they moved into just one tax.

GST was running between 18% to 28%. The tax rate depended upon the sort of Entertainment services provided.

Things inside the 18% GST:

1. Movie Tickets
2. Television and DTH services
3. Theatre
4. Circus

8. Impact of GST on Automobile Sector:

Following Goods & Services Tax implementation, a wide range of taxes like Excise Duties, VAT, Sales Tax, and Road Tax cleared a path for a unified Goods & Services Tax. This brought an increase in automobile deals.

9. Impact of GST on Export-Import Sector:

Before implementing the GST, Import and Export were administered by the Customs Duty, Excise Duty, Value Added Tax, and Service Tax. All these taxes were put together as one at the point when GST was presented.

10. Impact of GST on the Education Sector:

Whenever there is a conversation over the development and growth of a country, the main thing thought about is the strength of that country's education sector. The education sector is one of the GST benefit sectors. The education of people has a significant part in the strength of a nation. .

11. Impact of GST on Iron and Steel:

Three sorts of taxes were applied on the manufacturing of iron & steel. Those duties were: -

1. 2% CST or Central Sales Tax
2. 5% VAT or Value Added Tax
3. 12.5% Excise Duty

When we see, there is an aggregate of 19.5% net duty that is forced upon iron & steel in the older system.

UNIT-V

5.A (i). Explain the functions of WTO?

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

Objectives of WTO:

- To set and execute rules for international trade
- To present a panel for negotiating and controlling additional trade liberalization
- To solve trade conflicts
- To improve the clarity of decision-making methods

Origin	<ul style="list-style-type: none">• The WTO was founded in 1995.• It is the successor organisation to the General Agreement on Trade and Tariff (GATT).
Members	<ul style="list-style-type: none">• On 1st January 1995, 123 nations signed the agreement to replace the General Agreement on Trade and Tariff (GATT).• At present, there are 164 member countries of WTO.• 164 Members as on 29th July 2016.• Afghanistan is the 164th member of WTO.• All members are obliged to follow laws and policies framed under WTO rules.
Functions of WTO: (in 13(iii) role of WTO also)	
Facilitate international trade	<ul style="list-style-type: none">• It facilitates international trade through the removal of tariff and non-tariff barriers.• It provides greater market access to all member countries.
Formulation of rules	<ul style="list-style-type: none">• It establishes a rule-based trading regime, in which nations cannot place arbitrary restrictions on trade.
Protecting the interest of developing countries	<ul style="list-style-type: none">• It frames fair global rules, regulations.• It safeguards and advocates the interests of the developing world.
Optimum utilisation of world resources	<ul style="list-style-type: none">• It is also responsible to increase production and trade of services.• It ensures optimum utilisation of world resources.

(ii). What is globalization? Write about SAARC and ASEAN in globalization?(in 12(i). short question also)

Globalization is the process by which ideas, knowledge, information, goods and services spread around the world. In business, the term is used in an economic context to describe integrated economies marked by free trade, the free flow of capital among countries and easy access to foreign resources, including labor markets, to maximize returns and benefit for the common good.

Globalization, or globalisation as it is known in some parts of the world, is driven by the convergence of cultural and economic systems. This convergence promotes -- and in some cases necessitates -- increased interaction, integration and interdependence among nations.

How globalization works

In a globalized economy, countries specialize in the products and services they have a competitive advantage in. This generally means what they can produce and provide most efficiently, with the least amount of resources, at a lower cost than competing nations.

The South Asian Association for Regional Cooperation (SAARC) was established with the signing of the **SAARC Charter** in Dhaka on 8 December 1985.

- The idea of regional cooperation in South Asia was first raised in November 1980. After consultations, the foreign secretaries of the seven founding countries—Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka—met for the first time in Colombo in April 1981.
 - Afghanistan became the newest member of SAARC at the 13th annual summit in 2005.
 - The **Headquarters and Secretariat** of the Association are at **Kathmandu, Nepal**.

Principles

- Cooperation within the framework of the SAARC shall be based on:
 - Respect for the principles of **sovereign equality, territorial integrity, political independence, non-interference** in the internal affairs of other States and mutual benefit.
 - Such cooperation shall not be a substitute for bilateral and multilateral cooperation but shall complement them.
 - Such cooperation shall not be inconsistent with bilateral and multilateral obligation

Areas of Cooperation:

- Human Resource Development and Tourism
- Agriculture and Rural Development
- Environment, Natural Disasters and Biotechnology

- Economic, Trade and Finance
- Social Affairs
- Information and Poverty Alleviation
- Energy, Transport, Science and Technology
- Education, Security and Culture and Others

The Objectives of the SAARC:

- To **promote the welfare** of the people of South Asia and to improve their quality of life.
- To **accelerate economic growth**, social progress and cultural development in the region and to provide all individuals the opportunity to live in dignity and to realize their full potentials.
- To **promote and strengthen collective self-reliance** among the countries of South Asia.
- To **contribute to mutual trust**, understanding and appreciation of one another's problems..
- To **promote active collaboration** and mutual assistance in the economic, social, cultural, technical and scientific fields.
- **To strengthen cooperation with other developing countries.**
- To **strengthen cooperation among themselves in international forums** on matters of common interests; and
- To cooperate with international and regional organizations with similar aims and purposes.

ASEAN: (5.B(ii) question also)

ASEAN is a major trading bloc in Asia; it was come into being in August 1967. After the flare up of Asian economic financial crisis its main focus is to create poise and prosperity in the bloc. This bloc has been struggling to achieve this objective after 1997. At the time of its institutionalization this bloc comprised up of five nations, namely Indonesia, Malaysia, Philippine, Singapore and Thailand.

II. Objectives Of ASEAN According to the ASEAN proposition it was being established with two foundational objectives. 1. To speed up economic fibroid, social advancement and cultural development in the region. 2. To curtail the economic chronicle disputes and nurture regional peace and poise without interference in the domestic affairs. In order to achieve the above describe foundational objectives the ASIAN economic community has adopted a detailed plan of action in Singapore in 2007. This detailed plan of action postulate vision, aim and logistic schedule. The plan contains four key characteristics that detail has been described below. 1. A single market and production base. 2. A competitive economic region. 3. Equitable economic development. 4. Integration into the global economy

(iii). What is meant by IBRD? Explain its functions?

The International Bank for Reconstruction and Development (IBRD) is a global development cooperative owned by 189 member countries. As the largest development bank in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges.

Created in 1944 to help Europe rebuild after World War II, IBRD joins with IDA, our fund for the poorest countries, to form the World Bank. They work closely with all institutions of the World Bank Group and the public and private sectors in developing countries to reduce poverty and build shared prosperity.

FUNCTIONS OF I.B.R.D

The principal functions of the I.B.R.D are set forth in Article (1) of the Agreement as follows.

1. To assist in the reconstruction and development of the territories of its members by facilitating the investment of capital for productive purposes.
2. To promote private foreign investment by means of guarantee of participation in loans and other investments made by private investors and when private capital is not available on reasonable terms to make loans for productive purposes out of its own resources from funds borrowed by it.
3. To promote the long term balance growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investments for development of productive resources of members.
4. To arrange loans made guaranteed by it in relation to international loans through other channels so that more useful projects, large and small alike, will be dealt with first.

OBJECTIVES OF I.B.R.D

The objectives of I.B.R.D as incorporated in the Articles of Agreement are as follows. (in 13(ii) small question)

1. To help in the reconstruction and development of member countries by facilitating the investment of capital for the productive purposes, including the restoration and reconstruction of economies devastated by war.
2. To encourage the development of productive resources in developing countries by supplying them investment capital.
3. To promote private foreign investment through guarantees and participation in loans and other investment made by private investors.
4. To supplement private foreign investments by direct loans out of its own capital for productive purposes.
5. To promote long term balances growth of international trade and the maintenance of

equilibrium in the balance payments of member countries by encouraging long term international investments.

(OR)

B (i). Distinguish between Foreign Macro Economic Environment and domestic Macro Economic Environment?

Macroeconomics:

Macroeconomics is the study of the performance, structure, behavior and decision-making of an economy as a whole.

Key Terms

- **deflation:** A decrease in the general price level, that is, in the nominal cost of goods and services.
- **Macroeconomics:** The study of the performance, structure, behavior, and decision-making of an economy as a whole, rather than individual markets.
- **inflation:** An increase in the general level of prices or in the cost of living.

Macroeconomics is the study of the performance, structure, behavior and decision-making of an economy as a whole. Macroeconomists focus on the national, regional, and global scales. For most macroeconomists, the purpose of this discipline is to maximize national income and provide national economic growth. While there are variations between the objectives of different national and international entities, most follow the ones detailed below:

- Full employment occurs when those who are able and willing to have a job can get one. Most economists believe that there will always be a certain amount of frictional, seasonal and structural unemployment (referred to as the natural rate of unemployment). As a result, full employment does not mean zero unemployment.
- Price stability occurs when prices remain largely stable and there is not rapid inflation or deflation. Price stability is not necessarily zero inflation; steady levels of low-to-moderate inflation is often regarded as ideal.
- External balance occurs when exports roughly equal imports over the long run.
- Equitable distribution of income and wealth among the economy's participants. This does not, however, mean that income and wealth are the same for everyone.
- Increasing Productivity over time throughout the national economy.

Microeconomics:

Microeconomics deals with the economic interactions of a specific person, a single entity or a company; it is the study of markets.

Key Points

- One of the major goals of microeconomics is to analyze the market and determine the price for goods and services that best allocates limited resources among the different alternative uses.
- Microeconomics assumes businesses are rational and produce goods that maximize their profit.
- The science of microeconomics covers a variety of specialized areas of study including: industrial organization, labor economics, financial economics, public economics, political economy, health economics, urban economics, law and economics, and economic history.

One of the major goals of microeconomics is to analyze the market and determine the price for goods and services that best allocates limited resources among the different alternative uses. This study is especially important for producers as they decide what to manufacture and the appropriate selling price

The science of microeconomics covers a variety of specialized areas of study including:

- **Industrial Organization:** the entry and exit of firms, innovation, and the role of trademarks.
- **Labor Economics:** wages, employment, and labor market dynamics.
- **Financial Economics:** topics such as optimal portfolios, the rate of return to capital, and corporate financial behavior.
- **Public Economics:** the design of government tax and expenditure policies.
- **Political Economics:** the role of political institutions in policy.
- **Health Economics:** the organization of health care system.
- **Urban Economics:** challenges faced by cities, such as sprawl, traffic congestion, and poverty.
- **Law and Economics:** applies economic principles to the selection and enforcement of legal regimes.
- **Economic History:** the history and evolution of the economy.

Key Differences

Microeconomics focuses on individual markets, while macroeconomics focuses on whole economies.

Key Points

- Microeconomics and macroeconomics both focus on the allocation of scarce resources. Both disciplines study how the demand for certain resources interacts with the ability to

supply that good to determine how to best distribute and allocate that resource among many consumers.

- Microeconomics studies the behavior of individual households and firms in making decisions on the allocation of limited resources. Another way to phrase this is to say that microeconomics is the study of markets.
- Macroeconomics is generally focused on countrywide or global economics. It studies involves the sum total of economic activity, dealing with the issues such as growth, inflation, and unemployment.
- There are some economic events that are of great interest to both microeconomists and macroeconomists, but they will differ in how and why they analyze the events.

(iii). What kind of activities have BRICS taken up described?

BRICS (Brazil, Russia, India, China, South Africa)

South Africa joined the important bloc of emerging economies in December 2010, in line with the country's foreign policy to strengthen South-South relations.

The ninth BRICS Summit will be held in Xiamen City, China from 3 to 5 September 2017.

India hosted the eighth BRICS Summit(link is external) from 15 to 16 October 2016 in Goa.

- BRIC is a powerful bloc of emerging economies which recorded a combined GDP of R18 trillion late in December 2010. According to the International Monetary Fund (IMF)(link is external), BRIC will account for 61% of global growth in three years' time.
- The 2010 – 2011 Global Competitiveness Report(link is external) of the World Economic Forum ranks South Africa favourably in relation to the other BRICS countries. The 2010 United Nations (UN) Conference on Trade and Development World Investment Report(link is external) puts South Africa in the top 20 of priority economies for foreign direct investment in the world.
- The structure of BRICS trade (i.e. value-added exports supporting the National Industrial Policy Framework and the Industrial Policy Action Plan [PDF] is more important than nominal volumes of trade.
- South Africa and other BRICS member states will continue existing collaboration in various international organisations and formations such as the UN, the Group of 20 (G20) and the IBSA (India, Brazil, South Africa) Dialogue Forum(link is external). South Africa also views the Non-Aligned Movement and the Group of 77(link is external) as important for South-South interaction, especially within the framework of the UN.
- South Africa can benefit from the concrete projects of BRICS in areas such as agriculture, science, statistics, development finance institutions, security and justice. BRIC agriculture ministers have agreed to cooperate in agricultural technology development and exchange. South Africa remains committed to the consolidation of the African Agenda and will use its BRICS membership to increase strategic cooperation among emerging market economies of the South in support of this agenda.

- South Africa is dedicated to African unity and integration within the framework of the Constitutive Act of the African Union (AU). This includes the strengthening of continental institutions, which are critical in responding to the challenges of poverty, underdevelopment, peace, security and stability on the continent.

10(ii). Write about repo and reverse repo?

Repo rate refers to the rate at which commercial banks borrow money by selling their securities to the Central bank of our country i.e Reserve Bank of India (RBI) to maintain liquidity, in case of shortage of funds or due to some statutory measures. It is one of the main tools of RBI to keep inflation under control.

Current repo rate in 2021 is at 4% and current reverse repo rate is at 3.35%.

Reverse Repo Rate is a mechanism to absorb the liquidity in the market, thus restricting the borrowing power of investors.

Reverse Repo Rate is when the RBI borrows money from banks when there is excess liquidity in the market. The banks benefit out of it by receiving interest for their holdings with the central bank.

During high levels of inflation in the economy, the RBI increases the reverse repo. It encourages the banks to park more funds with the RBI to earn higher returns on excess funds. Banks are left with lesser funds to extend loans and borrowings to consumers.

11.(i) What are the challenges in social justice?

The social justice scenario is to be investigated in the context of two streams of entitlements:

(a) sustainable livelihood, which means access to adequate means of living, such as shelter, clothing, food, access to developmental means, employment; education, health, and resources;

(b) social and political participation (enabling or empowering means), which is built on the guarantee of fundamental rights, and promotion and empowerment of the right to participation in the government, and access to all available means of justice, and on the basis of which “justice as a political programme” becomes a viable reality.

We require therefore a study based on select illustrations of various issues relating to government policies on topics such as:

(a) the right to food and water;

(b) housing, which includes resettlement and rehabilitation;

(c) access to education,

(d) access to provisions of health and healthcare,

(e) right to work, and

(f) access to information and the right to communication.

Challenges in social justice

After 40 years of independence, 8 Five Year Plans, hundreds of laws leading to a veritable forest of rules offering a variety of special facilities to the underprivileged ranging from scheduled castes and tribes to women, in matters of education, employment, housing, etc. social justice is far from a reality.

11.(ii) Write short notes on political stability?

Political stability means government stability, which means political stability. People will know the terms and conditions of the state. They will get the firm place to stand and act according to the law and order. It is like balance of bicycles. When it is in motion then it is in balance and keep on moving. When there is frequent stop then it'll not be in motion and halts the speed. Political stability is like a moving cycle which need to be keep on moving. But it requires maintenance, repairs and reforms on certain interval.

When a particular government rules for more than 5 years or so without any chaos or humiliation of people's rights then a state or country can be called politically stable. The happiness index of the general mass should also be high.

11 (iii). Write short notes on legal changes?

The abstract idea of " social change" evinces dimension of some of the characteristics of a group of people. If any action which affects a group of people who shared values or characteristics can also be said as "social change."

Generally, the change in existing pattern of social life is known as " Social Change". Society and social conditions never remain static. Generally, social change is to be understood as change in social structure. Social change means there is must change in social structure. Social structure which can be understood as nature, social behaviour, social relations, social organizations, community of people.

Law as a means of social control:

Two fold objectives of law to serve is, firstly, to keep up stability and afford orderly life in the society. Secondly, to persuade social change by changing itself according to the needs of the changing society. Thus , law is an important agency of social control. The society supervenes the law for bettermost socialization. Rule of law in any constitution is the bedrock for democracy. By putting fear in th minds of public, the law is a helpful agency for social control. Law regulates the behaviour of the people in society. Law, by using force, makes the people conscious about their duties and obligations. Law saves precious and good concepts of the society

12 (ii). What is meant by foreign trade policy?

Foreign Trade Policy

The Foreign Trade Policy (FTP) was introduced by the Government to grow the Indian export of goods and services, generating employment and increasing value addition in the country. The Government, through the implementation of the policy, seeks to develop the manufacturing and service sectors. This article is a snapshot of the various aspects of the policy.

Primary Focus Areas

The Government, through the policy, primarily focuses on adopting a twin strategy of promoting traditional and sunrise sectors of exports including services. Further, it intends to simplify the process of doing business.

Duration of the Policy

The Foreign Trade Policy (FTP) was flagged off in the financial year of 2015-16, and will remain effective until the 31st of March, 2020. During this period, all the exports and imports of the country will be governed by the policy. The Government strives to make India a significant partner in global trade by 2020.

12 (iii). Describe about global prospective of business environment?

When people from different countries get together, that possibility increases substantially. Differences in communication styles reflect differences in culture: the system of shared beliefs, values, customs, and behaviors that govern the interactions of members of a society. Cultural differences create challenges to successful international business dealings. We explain a few of these challenges in the following sections.

The global business environment can be defined as **the environment in different sovereign countries, with factors exogenous to the home environment of the organization, influencing decision making on resource use and capabilities.**

A global perspective means **being open to new ideas, issues and solutions.** Often times, it even means being open to changing the way you do things if you find a new system that works better. It means being culturally sensitive and willing to learn from others.

13 (i). Explain about trade blocks?

A trading bloc is a type of intergovernmental agreement, often part of a regional intergovernmental organisation, where regional barriers to international trade, (tariffs and non-tariff barriers) are reduced or eliminated among the participating states, allowing them to trade with each other as easily as possible.

They have advantages in enabling free trade between geographically close countries. This can lead to lower prices, increased export potential, higher growth, economies of scale and greater competition.

However, it can lead to compromise as countries pool economic sovereignty. Also, the move to free trade tends to create winners and losers – with some domestic industries losing out to lower-cost imports.