B.COM.SEMESTER–1		
3	MINOR 1	BUSINESS ADMINISTRATION–1 (BUSINESS ORGANIZATION)

Name of the Course: Business Administration–1(Business Organization)
Total marks: 100

PARTICULAR	NO. OF LECTURES
UNITNO.1: INTRODUCTION	
Business–Concept, nature and scope, business as a system, business objectives, business and environment interface, distinction between business, commerce and trade, Business ethics, social responsibilities of Business	**12**
UNITNO.2: BUSINESS ENTERPRISES	
Forms of Business Organisation: Sole Proprietorship, Partnership firm, Joint Stock Company, One Person Company, Cooperative society; Limited Liability Partnership; Multinational Corporations; Choice of Form of Organisation; Business Combination: Need and Objectives, Forms: Mergers, Takeovers and Acquisitions.	**12**
UNITNO.3: BUSINESS ENVIRONMENT	
Meaning and significance of Business environment, Internal and external environment, Dimensions of Business Environment; Uncertainty and business; Environmental Analysis and Diagnosis, Environment scanning techniques: SWOT and ETOP.	**12**
UNITNO.4: ENTREPRENEURSHIP: FOUNDING THE BUSINESS	
Entrepreneur-Entrepreneurship-Enterprise; entrepreneurial ideas and opportunities in contemporary business environment; Process of entrepreneurship;Formsofentrepreneurship;SkillIndia,StartupIndia,Makein India, Globalization.	**12**
UNITNO.5: CONTEMPORARY ISSUES OF BUSINESS ORGANISATIONS	
Emerging Issues and Challenges; Innovation in Organisational Design; Learning Organisations, Workforce Diversity, Franchising, Outsourcing, and E-commerce; Government and business interface; Sustainability; Digitalisation and Technological innovations.	**12**
Total Lectures/Hours	**60**

UNIT:1. INTRODUCTION

Introduction:

Business comprises of industry and commerce. It is broad term encompassing activities with an objectives to earn money. Business activity must be regularly and continuously performed. A businessman tries to create customer, satisfy them, and earn profit and prestige.

Meaning and definition of business:

Business is the same of a total activities which are connected with the production or purchase and sales of goods and services with main objectives to earn money.

According to urwick and hunt business is any enterprise which makes distributers on provide any service which other members of community and willing to take from it.

A business may be defined as "an economic activity, involving regular production and distribution of good service with an objective to earn profit."

Modern business focuses on satisfying consumer needs and wants on continuous basis and enhancing the living standard of the society.

Business objectives:

A) Economic objectives:

1) Earning profit:

Activity done with the objective to earn profit is an economic activity. If business is not profit making then no payment can be made to employees and creditors as the result business to be discontinue. To run the business and continuous business profit is must.

2) Searching new customers:

Business organization has to work hard to create new customers and also to maintain the existing customers.

3) Innovation:

It is development or positive change which result into improvement in product or process of production business has to spent money on resource and development market survey and use of technology.

4) Best possible use of resources:

Resources are scare and have alternative use. They should be used to its maximum and should not be wasted optimum use of resources ultimately leads to increasing profit.

B) Social objective:

1) Objective to perform social responsibility:

In the present days due to consumer education, consumer association and state control, consumer have become aware of their interest. Various employees, consumers, creditors, governments, etc. are associate with business unit, the interest of each group is different it is necessary to maintain balance between them and perform business activity. Beside that business should honestly obey provision of the laws environment, consumer protection act, factory laws, employees social welfare laws.

2) Objective to provide employment opportunity:

Populated India face problem unemployment to reduce this problem. Government provide various facilities and incentives to established industry commission established industry is backward areas khadi and cotlage industry commission established by government to makes attempt to increase employement opportunities though industry.

3) Objective to adopt fair trade practice:

Government has passed MRTP Act (Monopoly restrictive trade policy act) for welfare of customer and society to observe whether business unit adopt fair trade practice, block marketing of product, harding of thing is illegal manner, creation of artificial shortage, misleading advertisement etc, are unfair trade practice in business.

4) Objective to provide quality good and practice:

To sustain in business customer should be provided with quality product and service at reasonable price and at proper time. In the current time along with sales of good quality product important service too are provided. E.g. free delivery, supplying product at the doorsteps of customer, free repairing etc, are provided.

C) <u>Human objectives:</u>

Human objective refer to aimed at the well being as well as fulfillment of employee as also people who are disable handicapped and deprived of proper education and training.

1) Economic well being of employee:

In business employee is provided with fair remuneration and increment according to performance of employee, benefits of P.F. (provident fund) pension, medical and health facilities, housing facilities etc. by this they fill more satisfied at work and contribute more to business.

2) Social and psychological satisfaction:

It is a duty of business unit of provide social and psychological satisfaction to their employee. This is possible by making job interesting and challenging putting right person at right job.

3) Development of human being:

Employee as human being always wants to grow. There growth require proper training as well as development. Business can prosper if the people employed can improve there skills and develop there abilities business should arrange training and development programme for employee.

4) Well being of people by helping society and economically backward people:

Business is inseparable part of the society. Business should help backward classes and also to the people who are physically on mentally challenged this can be done by vocational training. Programme may be arranged to improve earning capacity. Business unit can also help and encourage students by awarding scholarship for higher studies.

D) <u>National objectives:</u>

Every business must have objective of fulfilling national goal. It is to provide employment opportunity, earn revenue, become self sufficient in production and promote social justice.

1) **Production according to national priority:**

Business unit should produce and supply goods in accordance with the priorities laid down in plan and policies of government most important objective is to increase production and supply essential goods at reasonable price.

2) **Contribute to revenue of the country:**

The business owner should pay there taxes and dues honestly and the regularly this will increase the revenue of government which can be use for development of nation.

3) **Self sufficiency and export promotion:**

To help the country to become self reliant business unit should aim at increasing export adding to the foreign exchange reserve of the country.

4) **Promotion of social justice:**

As a responsible citizen a business expected to provide equal opportunity to all person with who he deals special attention must be paid to weaken section and backward section of the society.

Nature of business:

1) **Economic activity:**

Business is an economic activity as it is conducted with the primary objective of earning money.

2) **Production/ purchase of good and survive:**

Goods and services are produced so as to add value and sale them to consumers. Goods are either manufacture by company or produce by supplier with the aim of selling to customers.

3) **Selling of goods and services:**

Business must involve the transfer of gods through selling. If goods are acquire for personal consumption than transaction will not business activity.

4) **Continuity in dealing:**

Every business require regularity in transaction that is insolated transaction or exchange of goods and service will not be consider as business so business must be carried out on regular basis.

5) **Profit earning:**

The basic purpose of business is to make profit that help business to keep going for long term.

6) **Element of risks:**

Risk is the key element of every business. Risk means the possibility of loss, profit generally depends not only upon he efforts of business enterprise but also numbers of others factors like change in technology, change in taste and preference labour problem, economic slow down competition, managerial problem, natural calamities etc. so business has to forecast future event and plan business strategies.

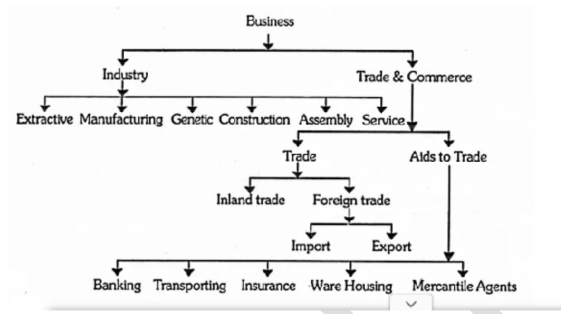
7) **Legal and lowful:**

No matter in which type of business the company engaged. It should be legal in the eye of the law or as it will not be consider as business.

8) Consumer satisfaction:

The aim of business is to supply goods and services consumer so as to satisfy their wants. if consumers is not satisfy with goods, chances are that they will look for substitute.

<u>Scope of business:</u>



A) Industry :

The sector where raw material gets converted into useful product is called industry. Activity related to production and processing, as well as activity related to rearing and reproduction of animal or other living species are all included in industry. The purpose of industry is to create utility by converting raw material into useful form of finished product.

1) Extractive industry:

This industries extract or draw out product from natural sources are called extracting industry raw material that are mostly product of soil are some basic supply of extractive industries. E.g. farming, mining, hunting, fishing etc.

2) Genetic industry:

The industry involves in the activity of rearing of living organism that is bird, plant animal etc. rearing catel of milk, dairy farm rearing of plant in the nursery, growing fish in pond etc. are included.

3) Manufactory industry:

This industry engaged in transforming raw material into finished goods with the help of machine and manpower the final goods may be capital goods or consumer goods such as taxtiles, sugar industry paper industry.

4) Construction:

These industry are engaged in construction of building, dams, bridge, metro etc. this industry use product of manufacturing industry such as cement, iron, steel etc.

5) Service industry:

They provide support system to all industry it include transportation banking where as hotel industry tourism industry.

B) <u>Commerce:</u>

We can prefer commerce as all the activity which help directly on indirectly in the production to the distribution of goods to end consumer.

C) <u>Trade:</u>

Trade is main part of commerce. It include buying and selling of goods and service.

1) <u>Internal trade:</u>

It refers to buying and selling of goods and service within the geographical boundaries of a country. Under internal trade goods and service are purchased and sell in country only. It has two types:

1) Wholesale trade
2) Retail trade

2) <u>External trade:</u>

When the buying and selling of goods and service is beyond geographic limit of the country is called external trade.

1) Import trade:

When goods and service are purchased from another country, its called import trade.

2) Export trade:

When goods and service are sold to another country, its called export trade.

<u>Aids to trade:</u>

The activity which help in smooth flow of trade is known as aids to trade. This activity make buying and selling of goods easier.

1) Transport:

Goods are produce at one place and they are demanded over wild area so this service help in men and materials from one place to another.

2) Warehousing:

There is gap between production and consumption, certain good produce throughout the year, but consumed only in particular part of the year because of warehousing price is maintained at a reasonable level and continuous supply is also possible.

3) Insurance:

The goods may be destroyed while in production process or in storage due to fine. Insurance compensate loss suffer from such risk, businessman has to ensure his goods and pay premium regularly.

4) Banking:

We require money to start the business and run smoothly under quote fund can be obtain from bank, bank provide service like cheques debit and credit cards and online service.

5) Advertising:

Advertising help in selling goods, the producer communicate all information about goods and services to create strong desire in consumer by product, it can be indoor or outdoor.

6) Mercantile agent:

Customers are spread over very wide area. It is not possible for seller to contact the customer. This difficulties is solved by mercantile agent for e.g. broken and estate agent.

7) Business and environment interface:

In order to be successful a business must be ready to adopted to its environment. Business that fail to adopt environment to not survive in the long run. Thus the knowledge of change in environment can be of grate health in the formation of planning and implementation.

<u>Types of environment:</u>

1) Demographic environment
2) Economic environment
3) Technological environment
4) Natural environment
5) Eultural environment

1) Demographic environment:

Demographic is the study of human population with reference to their age, gender, status, occupation, income, education etc. this environment differ from country to country and has significant implication on business.

2) Economic environment:

The economic environment of country included, the structure of economic, economic resources, level of income. Economic policy etc. any change in economic policy have positive or negative impact on business LPG (liberalization, privatization, globalization) had consider impact on business, business should understand market condition international events, investments policy, competitors policy, economic policy of government etc.

3) Business and technological environment:

Technology refer to the set of process in an organization to transfer raw material into finished goods. It helps in minimizing cast, reducing wastage, higher efficiencies in production process. Business is responsible for technological up gradation as a huge amount is spent on research and development to introduce new product and concept in business. Quick adoption of latest technology will help business to gain competitive advantage and facilities overall industrial efficiency.

4) Natural environment:

Business depend on the natural for supply of resources. Raw material land water etc. the business has to adjust quick with environment to survive. The excessive use of this resource cause environment pollution and disturbance. One cannot take environment granted.

5) Cultural environment:

Cultural refer to value attitude, moral, customs and tradition proper understanding of culture is important for product development. The business should come up with various cultural event them by promotion, reserving the rich culture of a country as culture influence business. Also should influence over culture by promoting festival and cultural events in country.

Social responsibility of business:

According to fransis,"social responsibility is a commitment to achieve the goal of business keeping in view of interest of each and every individual of business and manage the business for aggregate welfare of the society. In simple word social responsibility of business mean duty of business enterprise toward society.

1) **Shareholders:**
- The shareholders expect reasonable rate of return on their investment. They have to give maximum return in form of divided.
- Maintain and strengthen financial position of company through efficient and effective administration.
- Management provide complete anthemia information about fundamental of account and authencity of growth of company.
- To earn profit and declare divided is necessary but it is not sufficient the divided should be paid regularly on time.

2) **Customer:**
- The product should be such that they meet requirement of customer with different level of income taste and preference.
- Quality of product should be superior. Product should be of right weight, prize at right time.
- Advertisement and publicity should be transparent. It means to not provide misleading information.
- Unethical and unfair trade practice should be avoided.
- Customer should be easily get the product and get easily answer of complain of customers without delay.
- Provide after sales service.

3) **Employee:**
- Pay reasonable and fair wages and salaries.
- Non- monetary benefits such as housing facility, medical treatment, extra leave should be given.
- Promotion according to merit or superiority should not be delay.
- View suggestion and opinion of employee should be welcome.
- Honored and reward employees who is working hard so other employee encouraged to work.

4) **Creditors:**
- Borrowed capital should be used for productive purpose in the business.
- The principle amount and interest should be regular on time.
- The creditor ask information its duty of management to provide information as and when require.
- Management should keep information about credit confidential.

5) **Competitors :**
- Competition should be fair and reasonable.
- No business unit should change base less and misleading change again rival firm.

- Rival firm should frame them policies keeping in the view of economic interest of nation. So economy is not harmed.
- Advertisement and publicity of product should be honest informative.
- Business has to keep in mind that they are complimentary and not competitive in building and developing nation.

6) **Government:**
- Regulatory and honesty pay taxes to the central state government and municipal corporation.
- The management should follow laws of governments.
- Management must not exploit political relation for personal gain.
- The management should not courpt government official by bribes to get their work done unofficially.
- All information regarding production, sales, finance profit etc should be submitted as and when require by government.
- All economic activities such as production and distribution should be done with harmony.

7) **Society :**
- Provide continue and interrupted supply of goods.
- Product should be standard quality.
- Management should provide employment opportunities to the job seelsers.
- Do not pollute environment.
- Management should aim at raising standard of living.
- Relation between management and employee should be amicable.
- The modern trend is to adopt, satisfy village employment plan for its overall development.

8) **Other business unit:**
- Should not anything that obstruct the growth of the other business.
- Should not harm economic interest of other business.
- Should not monopolies the resources.
- Should not attempt unfair practice to remove small from market.

<u>Importance of social responsibility:</u>

1) **Economic development:**

All developing countries have adopted economic planning for imitating the development process.

2) **Optimum use of resources:**

The business firms use national resource and social wealth on large sales. It is duty of businessman to use these resources more efficiently in the interest of society.

3) **Social awareness:**

Even ordinary people have new become aware of their rights in economic and social fields.

4) **Current economic situation:**

The current situation in the world economy has considered much in making the concept of social responsibility relevant and useful. The storage of essential commodities exploitation of consumer by means of price and adulteration corruption and unfair un fair means of competition etc.

5) Pressure from financial institution:

The financial institution such as bank mutual fund and insurance companies extend various types of facilities to the business unit with the clear understanding.

6) Trusteeship principle:

He principle of trusteeship is promoted. It is principle which encourage the businessman to take business decision for the welfare of society.

Business ethics:

Introduction:

Man is a social animal and he has to bear the social responsibility for that it is necessary for a man to have the financial potential but for earning money he should have to make efforts. One should lift oneself by one's own effort, that is one has to progress with his own attempts and efforts, when such type of advice are given by our religion one has to accept it without arguing.

The rules, principles, advice or orders which issued by religion are known as morals with these morals of the religion one can definitely get peace and satisfaction. One it is also the fact that all the morals are not possible to be adopted by all the business for the practical implementation.

The ethics framed for the business is known as business ethics. It concerned with behavior of a businessman in doing business. The life and growth of business unit depend upon ethics practiced by businessman. E.g. ethics applied for doctors may not be applicable to pharmaceutical or any other business. A business should observe morality not only in business activities but also in non business activities. Such adoption of morality should be done by self inspiration and not through punishment.

Meaning of business ethics:

"Every individual and organization in society should abide by certain moral codes and that there is no separate ethics. **- Drucker**

Nature of ethics:

- Ethical people set standard in behavior and maintain the trust and respect of those around them, sometimes even at their own expenses.
- Doing what is right build one's confidence easier decision in life and distinguishing between wrong and right.
- Good behavior, stems from moral value which through efforts and practice become in gained in person.

Importance of ethics in business:

- Manager are fully aware of the consequences of their decision.
- Unethical act involve bribery theft etc, it lead to in efficient allocation on resource in market, that is why ethical behavior is necessary.
- Ethical behavior are prevailing in business have lead to same statutory action engaged in by government like appointment of direction on board of company to ensure transparency in corporate government.

Ethical behavior in business:

1) **Ethics helps the market to its best:**
- It does not hurt to be ethical
- Efficiency of the market like company P & G use 800 tall free telephone both to allow its customer complain freely.
- Tata's creditability is rated high because he support his employee by providing different facilities.

2) **Law cannot protect but ethic can:**
- Technology is much faster than any government rules.
- Japan's business -> mercury dumped in water -> absorb by fish-> eaten by human-> lawyer said no violation of norms -> no action again business.
- Law only speak of minimum government is awaked and giving punishment for violation of law

3) **Ethic is good itself:**
- Following ethics, give courage, satisfaction
- 7 year period research found that companies which follow ethics to get highest profit
- Fairness has to be consistent

Different between business, commerce and trade:

Point of difference	Business	Commerce	Trade
1) Meaning	Business refers to all those activities with are done with the aim of earning profit.	Commerce refers to all activities which facilities the exchange of goods from producer to consumer.	Trade refers to exchange to product or service among buyer in return for money.
2) Function	Business involves the production and transfer of good and service.	Commerce mainly concern the distribution of goods and service.	Trade between two parties i.e. customers and suppliers.
3) Scope	Business is wider, it include both trade and commerce.	Commerce is wider than trade, as it comprises of activities which support trade.	Trade is narrow as it concerned with only buying and selling of goods.
4) Place of operation	Business may be carried on at factory, workshop or home.	Commerce operates from the centers production to the centers of distribution.	Trade is operate in market.
5) Capital requirement	Business require huge amount of capital.	Commerce required less capital compared to the business.	Trade require more capital than commerce.
6) Risk level	Business is riskier than trade and commerce.	Commerce involves more risk than trade.	Trade involves low risk than commerce.

UNIT:2. BUSINESS ENTERPRISES

Forms of business organization:

Introduction:

Term “form of business organization” contain three words: “Form” which means types, “Business” simply means manufacturing and commercial activities and “organization which means an organized group of people who work for a particular purpose.

1) **Sole proprietorship:**

A sole proprietorship contain two words sole means single and the proprietorship. Which is owned and managed by single person. Professional services house hold service, retail, trade, small manufacturing, unit, handicraft etc function under sole proprietorship.

Definition of sole proprietorship:

Sole proprietorship is the one of the oldest and simplest form of business organization, where, only single person is the sole owner, manager, controller, risk, bearer and financer of the business.

- **SA Sherlekar**

Sole proprietorship is an informal type of business owned by one person. **- James Lundy**

Characteristics of sole proprietorship:

1) **Sole ownership:**

Here, the individual owner is the only responsible person to bear all the losses and enjoys the profit of business.

2) **Contribute capital:**

Owner user his personal saving and reserves to start and operate business he can also borrow money from other source.

3) **Management and control:**

All the managerial decision and action to be taken by the owner only from the beginning to the end.

4) **Sharing of profit and losses:**

Individual sole proprietorship is responsible for doing all business activities he/ she is the ultimate person to avail profit arise from the business and bear all losses for the business.

5) **No separate entity:**

The founder is both a manager as well as an owner and organization both are same or inseparable.

6) **Full flexibility in operation:**

The owner is not required to seek permission or advice he has full freedom to decide and do anything.

7) **No special legislation:**

To establish and to run it there no need to follow special legislation and also easy to discontinue the business.

8) **Role of personal capacity and relation:**

Success of sole proprietorship business depend on one's personal abilities (skill, knowledge, experience).

Merits (advantages of sole proprietorship):

1) **Easy formation:**

Business unit can be easily set up there is no need to follow special statutory provision or legal formalities only a formal licensee from a local authority is required.

2) **Easy to manage:**

As the operation are limited in scale and size. It is easier IOR the proprietors to manage the whole business.

3) **Speedy decision:**

Is not required to consult any expert. He can take quick decision and prompt business to any business affairs.

4) **Personal element:**

Proprietor can able to offer personal service to customer he can create business credit and unique identity in the market.

5) **No profit sharing:**

The proprietor is sole person to obtain any amount of profit. Thus, there is no profit sharing.

6) **Flexibility in operation:**

Is a highly flexible from of business. It is capable to adjust as per the changing business condition and requirements.

7) **Lower cost of management:**

Business is mostly managed supervised and controlled by an individual sometimes as per need he take help of family members. Thus overall cost of management remain lower.

8) **Business secrecy:**

A sole proprietorship is not require to disolose annual accounts publically because only one person is responsible to manage all business operation secrecy can be maintained.

9) **Personality development:**

A sole proprietor is the only person to do everything. So he can develop self reliance, responsibility, self confidence and other managerial qualities and skills while dealing with business activities.

10) **Societal benefits:**

It's provides minimum exploitation and maximum satisfaction. Social environment improves successful sole proprietorship business units and their proprietors inject self employment drive in the youth.

11) **Hereditary goodwill benefits:**

The goodwill of previous owner continues with the successor.

12) **Minimum legal interference:**

Normally the government does not intervene the sole proprietary business unit.

Demerits of sole proprietorship:

1) **Limited capital:**

Has only two sources of raising finance one is and personal and the second is borrowed capital.

2) **Limited managerial and organizing ability:**

An individual owner may not be expert to handle all business matters. He has to take care of each and everything.

3) **Unlimited liability:**

Due to unlimited liability, even a capable person hesitates to undertake economic venture. The owner has to bear all the losses. Sometimes, he has to inevitably shutdown the business. If the loss is beyond the assets his personal property can also be attached.

4) **No separate entity:**

The organization and its owner are inseparable. It is terminable by the insolvency long time illness, insanity (mental illness) or death of the proprietors. Uncertain life span is a major drawback of this from of organization.

5) **Small in size:**

Limited finance and limited managerial ability hinders expansion of business.

6) **Lack of specialization:**

An owner and his assistant have to manage all types of business activities the owner is a manufacturer marketer, financer and organized this type of venture cannot avail the benefits of specialization.

7) **Lack of technology:**

Due o lack of specialization and limited capital fund new and innovation technological changes cannot be adopted by the sole proprietorship. Cheaper and older technology affects both quality of produce and cost of production.

8) **Limited market span:**

Market vicinity for the products of such organization is very limited in terms of geographic area cannot easily enter in the new market by opening of branches.

9) **Threat of large scale:**

Is competition from big business house is cannot compete with large business terms of quality, quantity, price, promotion, efforts and distribution efficiency cut throat competition and angers its survival.

Formation of sole proprietorship:

Any competent person with necessary provision of fund willing to perform economic activities can easily start a sole a proprietorship manufacturing or treading concern. As per the law any competent person.

1) Who was completed 18 years.
2) Is of a sound mind and

3) Is not disqualified to perform some or all operations by the law can start business. He requires only a formal license from a local authority.

To promote self employment drive, the govern of India has introduced national wide a special start up programme. It has introduced “one application one person and one table” concept to make business legal procedures easy. The government sets up and operates many web portals to facilities the business staters. Online application and online sanctions changed the way of dealing with legal formalities.

Partnership firm:

Introduction:

If a few persons join together and form an association under joint management and joint control. It is called partnership firm. This partnership firm is created through a voluntary agreement among the personal called the partners two or more personals are associated to conduct business operation for the purpose of profit.

Here owners are called “partner” and their business is collectively called “firm” partnership firm has no legal status like a company.

Definition:

As H.L. Hancy has defined partnership is the relation existing between personal competent to make contracts who agree to carry on a lawful business in common with a view to have private gains.

Characteristics of partnership firm:

1) Person of business:

A partnership is an association of persons but the association must be formed for the business purpose only if the association is made for charitable or for any non business purpose. It is not a partnership.

2) Lawful business:

In other words no persons are allowed to start partnership to run illegal or antisocial activities.

3) Plurality of person:

Partnership firm of business organization requires at least two persons and maximum 20 persons. Who are willing to join together for business one person cannot enter into a partnership with himself. In fact the partnership Act 1932 does not specify upper limit of number of partners but as per the companies Act 1956 a partnership consisting of more than 20 persons for a general business and 10 partners of a banking business would be illegal. This reference should be regarded as the maximum limit to the number of partners.

4) Sharing of risks, profit and losses:

The partners share business risks profits and losses and liabilities among them howevwe proportion of risk profit and liabilities depend on the agreements.

5) Dual role of partners:

Here the partners has a dual role at a time such as a principles means on owner and agent means a manager for the third parties or outsiders. The partners is a principles and for the other partners any partners is a agent.

6) Need of agreement:

A partnership is the outcome of an agreement mad by mutual consent among the partners such agreement is called “partnership deep” in case of any conflict partnership agreement is considered as the final reference.

7) Team spirit:

All the partners must be faithful to one another and share complete business secrecy.

8) Membership criteria:

The minimum members required to form a partnership firm is 2. The maximum members are 20 and in banking partnership is 10, if membership exceeding the legal limits it’s called an illegal association.

9) Unlimited liability:

Every partner has unlimited liability in a partnership firm. All the partners are individually or in group or liable for payment of debt.

10) Transferability of share:

Any of the partners is not permitted to sell or transfer his share to an outside without prior approval of the partners.

11) No legal status:

Like sole proprietorship. Partnership is also a personal organization. It has no separate or distinct legal status or entity.

12) Control:

The control of the business lays in the hands of all active partners. If there are sleeping partners, also the rights over the functioning the firm remain in the hand of the active partner.

13) Life span (duration):

The partnership firm comes to an end if 1) the term for which the partnership was created expires. 2) the venture for which the partnership was formed is completed and 3) any of the partners retires, dies or becomes insolvent in the eyes of law.

14) Tax patterns:

The tax is calculated on taxable income of the firm. The share of profits that the partners receive from the firm is added to their individual personal income and is object to tax.

<u>Formation of partnership firm:</u>

Stage 1: preparation of partnership deed:

Partnership deed is a written agreement containing necessary provisions relating to the partnership firm. It seems mandatory for partnership firm. In order to avoid unnecessary problems and conflicts it is advisable to discuss mutual rights, power and obligations and should be incorporated in written agreement. An expert advocate can help drafting the agreement . it contains the terms and conditions relating to partnership.

The partnership deed may be oral or written. It is advisable to have a written agreement. The deed should be duly signed by the partners and registered with register. After registration the partnership deed acts as legal evidence and ready reference to settle any dispute emerges in the future.

Clauses covered in deed:

1) **Name:**

In this clause the selected name of the firms is to be recorded but certain words relating to king, queen etc cannot be included in the name of the firm.

2) **Nature duration of business:**

This clause specified two things purpose and objectives to start the partnership firm and the time period when the firm may be dissolved.

3) **Capital contribution:**

This clause mentions the details about contribution to the partnership firm share capital contribution may not be equal proportion.

4) **Distribution of profit:**

The agreement may provide an unequal share of the profits as per the capital con contribution or other crieteria thus the clause specific ratio of profit distribution among the partners.

5) **Management rights:**

It specifies the management powers of its partners clause of the agreement also mentions about the division of work in teams of who will perform different activities and what will be the designation of post of the partners.

6) **Other clause:**

Besides above clauses, there are a few others which are the part of the partnership deed they include:

1. Provision is case of death, insolvency and retirement of a partner.
2. Provision for arbitration (settlement of dispute)
3. Provisions relating to conversion of partnership into limited company or any other firm.
4. Details about accounting of the firms transaction as well as bank accounts.
5. Provisions relating to drawing from the firm and remu neration of the partners.
6. Any other provision that partners think necessary to be added in the agreement.

Step 2: registration of partnership firm:

As per the India partnership Act 1932 the registration of partnership firm is not compulsory. But an unregistered firm will have to suffer from a number of problems like:

Registration procedure:

Thus it is advisable for every partnership firm to get itself registered for the registration procedure contains following aspects.

1) **Fill up registration application form:**

For registration of partnership firm a prescribed application from is provided. The form is called from-1 the form contains following points.

1. Name and address of the firm.
2. Name of the principle place where business is carried on.
3. Detail regarding capital of partners.
4. Ratio of profit and loss of each partner.
5. Branches of the firm the name of other place where the firm carries on business if anyone.
6. Name, address and contact no. of all the partners.
7. Date on which the partners join the firm.
8. Duration of the firm.

2) Put date and signature:

The statement shall be duly dated and signed by all the partners.

3) Attach the attachments:

Attach required documents with dully filled and signed form1 the attachments include specimen of affidavit signed by all the partners certified copy of the partnership agreement.

4) Submit an application form:

At last an application form and attachment there with are to be submitted to the register and necessary fees are to be paid. If the registration is satisfaction with the registration procedure. The registration procedure the registrar an entry the firm is the register and issue a certificate of registration.

<u>Merits of partnership firm:</u>

1) Easy formation:

Moreover procedure of the registration is simple. Even registration is not compulsory at all.

2) Easy dissolution:

After consent of all partners and as per partnership contract the firm can be dissolved.

3) Easy to manage:

Business operations in partnership firm is generally limited in size and scale.

4) Higher capital raising power:

Partner can contribute to capital from their savings it has more borrowing capacity than a sole proprietorship.

5) Higher managerial power:

Due to many as partners managerial power, skill and efficiency can easily be achieved in partnership firm.

6) Business secrecy:

For daily business operation as well as some important treading matters, aliscussion and disclosure made only among partners.

7) Promptness is decision:

Partners are the final authority by the internal approval of the partners within minimum period of time every importance decision can be firminalized.

8) **Balanced decision:**

Most partners can actively participate in decision. The possibility of wrong decision can be minimized.

9) **Distribution of risk or reduced risk:**

The losses incurred by the firm will be shared by all the partners. This merits partners will be quite less compare to the sole proprietorship.

10) **Personal element:**

Partners personally look after all the business operations whenever a firm needs help the partners seem ready to jointly extend it.

<u>Demerits of partnership firm:</u>

1) **Limitation on capital/ resources:**

As compared to company co-operative society the capital of partnership firm remain limited. It has limited borrowing capacity. It cannot adopt the latest technology.

2) **Lack of organizing power:**

Partners have limited organizing skills and abilities. Due to financial limitation the firm cannot his professionally qualified personal.

3) **Absence of legal status:**

A partnership firm does not have a legal identity. It cannot operate like a company in case of death, retirement or insolvency of partners, its existence may be threatened.

4) **Unlimited liability:**

They are liable to pay the debtors any amount even in excess to their investment in the capital. In case of extraordinary loss and debt from their personal assets.

5) **Non transferable partnership shares:**

For the introduction of new person in the firm, consent of all the partners is required. Similarly a partner cannot easily exit from the firm. In short, partnership share cannot be easily transferred.

6) **Less public confidence:**

Normally, the public hold less confidence in partnership unit. People are not willing to invest in such firm also.

7) **Limited scale of business:**

By nature and size the business operations of partnership firm remain limited.

8) **Threat of big business unit:**

Normally, customers prefer to by joint stocks companies product and services over the partnership firms that partnership firm cannot with the company.

9) Lack of advanced technology:

Such organization is not being able to adopt latest and innovation technologies for the production as well as other operation of the firm. This can adversely affect quality and quantity of product.

10) Lack of harmony:

Friction and lack of harmony among partners affects both firms performance and stability. If any of the partners behaves in an improper manner whole firm has to suffer.

11) Instability:

If anything happens to partners like death insolvency, prolonged illness or anything these incidents may lead to dissolution of the firm. Short span of business firm results into a heavy loss to both the partners and the society.

12) Risk of implied authority:

If dishonest rude or incompetent partner may play the firm into in difficulties other partners of the firm have to suffer due to improper acts of any partners.

Types of partnership firm:

1) Based on liability:

On the basis of the degree of liability there are two types of partnership firms such as:

a) Limited liability partnership firm:

In this partnership liability of partners is limited however liability of any one partner tends to be unlimited. This type of partnership encourages people to start partnership firm without fear of unlimited liability.

b) Unlimited liability partnership firm:

The liability is unlimited for all partners. If the debts exceeds the assets of the firm, the partners are held liable to pay the debt, even by selling personal proprieties.

2) Based on time limit:

On the basis of time limit, there are three types of partnership firms such as:

a) Partnership at will:

The lifespan depends upon wish of the partners if any partners wishes to dissolve the firm the partnership firm is terminated can be made b giving 14 days notice to the other partners.

b) Term partnership firm:

This partnership firm is created for specific time period such as partnership firm is terminated at the expiry of the period or duration. The time limit is mentioned in the partnership deed. However the time limit can be extended further.

c) Partnership for a specific purpose:

A partnership firm is established for a specific purpose, the partnership is terminated or dissolved.

3) Based on business:

On the basis of type of business there are two types of partnership firm such as:

a) **Partnership firm for banking business:**

It is created to carry not banking business, i.e. to accept deposits from the public and land money to customers. It works like a bank. It shall have minimum 2 and maximum 10 members.

b) **Partnership firm for general business:**

Firm is created for non banking business. It works like a general business firm minimum 2 and maximum 20 members are required.

4) **Based on registration:**

On the basis of registration there are two types of partnership such as:

a) **Registered partnership firm:**

Firm is registration with the registrar under the partnership act 1932 registered of partnership firm is not compulsory but it is desirable.

b) **Unregistered partnership firm:**

An unregistered firm is not registered with the register. The unregistered firm faces problems while recovering debt from the third part.

Limited liability partnership (LLP):

Introduction:

Term limited liability indicates that the person is liable up to his investment in the business. His personal property is not attached with in case of extraordinary loss.

Definition:

Limited liability partnership is a partnership in which some or majority partners have limited liability. It incorporates elements of partnership and corporate form. In LLP the partners with limited liability are not responsible or liable for general partners misconduct or negligence.

Features of LLP:

1) **Special type of partnership organization:**

The concept of LLP has emerged recently in India (after 2008). In an LLP except at least one general partners. The other partners continue to have limited liability. Similar to that or shareholders of public limited company so partners are not responsible or liable for one or more partners wrong decision misconduct or negligence.

2) **The purpose of LLP:**

Due to unlimited liabilities even capable and competent people hesitate to establish partnership firm.

3) **Separate legal entity:**

Partners are not liable for does against the LLP. Being a separate legal entity this type of partnership- is not terminated or dissolved by death lunacy or insolvency of a LLP.

4) **The act applicable:**

A LLP firm is registered under the limited liability partnership act 2008 it was published in the official gazette of India on January a 2009 and has been notified with effect from 31 march 2009. At present there are more than 1000 LLPs formed and registered under the LLP act the provisions of Indian partnership act 1932 are not application to an LLP.

5) **Important provisions:**

- Every LLP shall use the word "limited liability or acronym "LLP" as the last word of its name.
- In an LLP, there shall be at least two designated partners one of them should be resident of India.
- At least one general partner shall have unlimited liability.
- An LLP cannot be dissolved easily the producer tends to be difficult lengthy and expensive.

6) **Accounting aspects of LLP:**

LLP shall maintain books of accounts and submit within a period of 30 days from the end of six months of the financial year. Apart from that on LLP is also require to get its accounts audited if annual turnover exceed ₹ 40 lakhs or the capital contribution exceeds ₹ 25 lakhs.

7) **Income tax:**

Important provisions are 1) limited liability partnership will be treated as partnership firm for the purpose of income tax. 2) remuneration to partners will be taxed as " income from business and profession." At present the income of an LLP is taxable at the rate of 30% plus education cause.

8) **Service tax:**

For the purpose of service tax, an LLP will be treated as partnership firm only.

9) **Foreign direct investment in LLPs:**

In limited liability partnership foreign direct investment is allowed with the specific approval of the government.

10) **Perspective of limited liability partnership:**

An LLP has come like a boom for the service sector and especially for professionals like character accountants, company secretaries and advocates.

11) **Type of members or partners:**

Has two types of members (or partners) general members or special members. There must be at least one general partner with unlimited liability the special partner merely contribute to capital and share in the profit.

12) **Registration:**

An LLP operates under the jurisdiction of ministry of corporate affairs , government of India. It is registered and controlled by the register of companies any two or more persons can from an LLP one members shall be resident of India.

13) **Termination or dissolution:**

An LLP has more stable life span provision for dissolution can be made in the agreement.

Advantages of LLP:

- Liability is limited.
- No partner is liable on account of the unauthorized action of partners.
- An LLP enjoys many income tax and service tax benefits.
- Long life span not terminated by death.
- Special relief of income tax an LLP can attract a huge capital investment.
- More flexible.
- Registration procedure is simple and easy.
- It is easy to become partner or leave the LLP.
- No registration on limit of remuneration to be paid.
- As per the act private limited can be converted into LLP by registering the same with (ROC) register of company.
- Also attract foreign direct investment.

Disadvantage of LLP:

- Liability may extend to person assets of the partners.
- Not allowed to raise money from the public.
- Multiple rules, regulations and legal formalities.
- Winding up is lengthy difficult and expensive.
- It has limitation of fund.
- For giant and multinational projects an LLP is not suitable.

Conversion of partnership to joint stock company:

A small unincorporated firm lead by a few partners think of a large scale business. Corporation offers many advantages, like limited liability, efficient management easy transferability of shares.

Applicable sections and rules for conversion purpose:

Now any partnership firm can be converted into a private limited company under the companies act 2013.

Mandatory conditions:

- All partners of the partnership firm shall become shareholders of the company in the same proportion in which their capital accounts stood.
- The partners receive consideration one by way of allotment a shares in company.
- The partnership firm must be a registered firm.
- There shall be 7 or more member for the purpose of registration of a company.
- There shall be minimum share capital ₹ 10000 for conversion into a private limited company and minimum share capital shall be ₹ 500000 for conversion into a public limited company.
- There must be minimum 2 directors for private limited company and minimum 3 director for public limited company.
- The directors and shareholders can be same person.
- Partner's have to prepare and submit additional, declaration and other documents.

Conversion procedure for joint stock company:

A firm can be dissolved and then converted into a company and also it can apply for registration without dissolution. Normally a partnership firm can be converted into a private limited company as under:

1) **Resolution stage:**

The member or their proxy should remain present personally in the meeting, for registration of the firm as a company persons have to fulfill following requirements:

1. There must be at least 7 members.
2. The firm may be registered.
3. There must be a fixed capital divided into units.
4. There must be provision of converting a firm into company.
5. There must be an agreement of partners to convert the firm into a company.
6. They have to execute a settlement deed.

2) **Application of registration:**

The promotes have to follow e filling system. The promoters have to file an application in requisite from for conversion. The MCA official website prescribes necessary guidelines for registration procedure includes following steps:

A. Arrange for basic documents:

All foundation documents necessary for obtaining DIN, DSC and name approval are to be prepared.

B. Arrange for basic documents:

They have to obtain director identification number (DIN) for all directors and digital signature certificate (DSC) of two directors.

C. Create an account on MCA portal:

A new user has to register his/ her name on the MCA portal to create an account.

D. Apply for company name approval:

The promoters have to obtain the company name in prescribed format minimum and maximum of 6 proposed names must be submitted to the MCA for availing name application can also check name availability with MCA website.

E. Prepare registration documents:

The promoters have to apply for registration within the spiritual time necessary documents are prepared existing partnership company has to attach more documents. 1) A copy of partnership deed. 2) The latest balanced sheet of partnership firm. 3) The latest income tax assessment order or return. 4) The resolution passed by the partnership firm in this regard. 5) All the personal details and DIN of the promoters. 6) Authorized capital of the proposed company. 7) Main objects of the proposed company. 8) MOA, AOA and statuary declaration. 9) Other legal documents necessary for the purpose.

F. Obtain incorporation certificate:

The registrar of company (ROC) shall register the company and issue a certificate of incorporation with the received of certificate. The certificate is the date of the birth of the company.

On receiving incorporating certificate a private limited company can start its business immediately without further legal formality but a public limited company has to obtain a certificate of commencement of business.

3) Certificate of commencement of business stage:
In this stage a company obtains a certificate to start business also known as the treading certificate.

Advantages:
1) All the assets and liability of the firm immediately before the conversion become the assets and liabilities.
2) No capital gains tax on transfer of properly from partnership firm to company.
3) Continuation or brand value.
4) The company is allowed to carry forward and set off losses and unabsorbed depreciation of partnership firm further eight years.
5) Conversion is easy and less expensive.

4) Joint stock company:
Introduction:
A joint stock company is a corporate form of organization any joint stock company is registered under the companies act 2013.

Definitions:
According to L.H. Haney, Joint Stock Company is "A voluntary association of individuals for profit, having a capital divided into transferable share the ownership of which is the addition of membership."

Characteristics of joint stock company:
1) An artificial person:
It is legal person and it continuous to exist even through its ownership changes several times. Being a legal actions and enter into contracts on its own name.

2) Compulsory incorporation:
It comes into existence when the register of companies enter in name the register and issue a certificate of incorporation till 30th august, 2013. The company was registered under the companies act, 1956 after 30th august any company can be registered under the companies act, 2013.

3) Common seal:
Therefore it cannot sign documents for itself. It has its common seal and is known by its name.

4) Perpetual existence:
Its existence is not affected by lumpy registration, insolvency with drawl or death of its members or directors note that its formation is voluntary but continuance is compulsory.

5) Separate management:
Shareholders do not manage the company. The management is under the charge of the board of directors and a body of executives.

6) Transferability of shares:
Normally a share of a company is a movable property can be transferability as per if a company has listed its shares on a recognized stock exchange people can easily buy or sell shares at any time. Shares are the liquid assets and can be reading converted into cash.

7) **Limited liability:**

The members liability usually limited to face value of shares that he holds in case of liquidation or extraordinary loss incurred private property of the member is not attachable.

8) **Diffusion of ownership:**

The total capital of a company is divided into many small portions/ units known as shares.

9) **Number of members:**

In a private company there are minimum 2 members and maximum 200 members. In case of public limited company. There shall be minimum 7 members and there is no restriction to the maximum members.

10) **Voting right:**

The members of company can vote as per no of shares they hold. If they hold more share they can exercise more control over the management.

11) **Lower tax liability:**

As against partnership and sole proprietor a tax liability of company is law.

Formation of company:

As per section 149 of companies act,2013 a private company must have minimum 2 and maximum 200 members while public company must have minimum 7 members and maximum no limit. A private company shall have minimum 2 and maximum 15 directors and minimum 3 and maximum 50 directors for a public company. In public limited company one director shall be a woman.

An application online and upload necessary document for getting the company registered. The private professional consults provide consultancy of the ministry of corporate affairs (government of India) www. Mca.gov. in.

Stage of company formation:

Stage:1 promotion stage

↓

Stage:2 incorporation stage

↓

Stage:3 certificate of commencement of business stage

Stage:1 promotion stage:

1) Preliminary survey of business environment and decisions to start a particular business.
2) Deciding on type of business.
3) Conducting a detailed survey about the select business venture.
4) Arranging for non financial resources.
5) Deciding on promoters or founders.
6) Deciding about initial directors.
7) Consulting exports.
8) Deciding on type of company to start.

9) Working our risk rewarded analysis.

Stage:2 incorporation stage:

Incorporation is a legal process through which the business organization is given reorganization as a separate corporate legal entity by the law. The companies come into existence by this process. At least 7 members in case off public company have to apply to the registrar of companies. All document and certificates uploaded through online mode and all certificates are obtained through online process.

1) Arrange for basic documents:

(DIN) is basis requirements in incorporation stage. Directors name, photography, identity proof, address proof and other documents are necessary.

2) Acquire director identification number (DIN):

All the existing and intending directors have to obtain DIN within the prescribed of DIN, then they apply for DSC (digital signature certificate) for two directors.

3) Create an account on MCA portal:

A new user has to register his/ her name on the MCA portal to create an account, after completion of necessary procedure used obtains the user ID and login password.

4) Name approval:

For name approval an application needs to file with the register of companies the applications should be made online. Necessary documents are to be uploaded usually in a day two corporate affairs (MCA).

5) Prepare registration documents:

Now, necessary documents are prepared, (AOA, statuary declaration and other legal documents are prepared).

6) Obtain incorporation certificate:

In everything is in order, the register of company (ROC) shall register the company in the register and issue a certificate of incorporation. The certificate of registration contains the name of the company, the date of its issue, and the signature of the registrar with official seal. The date mentioned in the certificate is the date of the birth of the company.

Stage:3 certificate of commencement of business stage:

This stage includes two major tasks:

1) Capital rising
2) Applying for the trading certificate

Company prepares its prospectus and makes necessary arrangement for public issues for its shares. After subscription process is completed it can apply for the trading certificate.

The trading certificate is issued by the registrar of companies on fulfillment of certain conditions including:

1. Declaration that minimum subscription as mentioned in the prospects has been subscribed.
2. Declaration all directors that they have taken up qualification shares and paid for the same.

3. Declaration that all legal requirement have been fully complied with if the ROC is satisfied he issues a certificate to commerce business.

Merits of joint stock company:

1) **Huge capital:**

There are millions of shareholders who can invest their money in the company's total share capital. Limited liability, easy transferability, efficient management and other benefits associated with a company form of organization can attract investor large scale business avail a lot many benefits.

2) **Limited liability of members:**

Liability is limited to the value of shares they hold. For example, if a person holds 1000 shares of ₹ 10 each in only type of circumstances his maximum liability or loss is limited to ₹1000 only.

3) **Steady or perpetual life span:**

Its existence is not affected by lunacy. Resignation, insolvency, with draw or death if its members share holders or directors. It cannot be dissolved unless the law permits.

4) **Enterprising and efficient management:**

A company can employee professionally qualified, capable and experienced managers to manage various activities. Due to capable and enterprising management, the company can enter h9igh risk gain venture.

5) **Benefits of economics of scale:**

It can afford the latest technology and innovation methods, due to large scale purchase, production and distribution, overall cost can be reduced.

6) **Benefits to society and nation:**

A company form of business organization can offer many benefits to society and nation it leads to:

1. Efficient use of resources.
2. Better return on investment.
3. Repaid industrial growth.
4. Creation of wealth.
5. Availability of standard products at reasonable price.
6. Increased volume of national and international trade.
7. Employment opportunities.
8. Payment of taxes.

7) **Transferability of shares:**

A share of the company can be transferable as per provisions if the company has listed its shares on a recognized stock exchange one can easily buy or sell shares reading on a continuous basis.

8) **Creditable form of business organization:**

A company maintains more systematic and transparent record of economic transactions.

9) **Scope for expansion:**

Large amount of resources, strong earning, capable managing body, professional manager, rich contracts, strong customer base, high credit in society, limited liability etc. offers infinite scope for expansions.

10) Other merits:

Over and above the merits discussed above there some additional merits, listed below:

1. Tax relief
2. Employment generation
3. Benefits of government company
4. Diffusion of risk

<u>Demerits of joint stock company:</u>

1) Lengthy and costly formation:

Experts are paid heavy fees for company formation, similarly, raising share capital through the public issue is also lengthy and costly affair.

2) Possibility of fraudulent management:

It may make undue advantages for their personal benefits, selfish promoters and directors manipulate accounting records and mislead the shareholders, financers, government and the whole society, sahara group, king fisher, satyam computer etc.

3) Dictatorship in management:

A few big shareholders dominate the board and consequently the company management the controls centralized in a few hands.

4) Exploitation of minority:

Promoters hold a big portion of share capital to hold control over company management. The minority shareholders have no voice big shareholders can hold a strong grip.

5) Misuse of inside information:

Directors and managing director have an easy excess to information about the company. There is possibility that they use this information for their personal benefits. Using information they swing share prices ups and downs.

6) Indulging of malpractice:

The key position holders in the company management exploit the company's property and assets for their personal benefits. They avail themselves luxurious facilities and privileges.

7) Lack of business secrecy:

A company has to disclose all business affairs to the public. It has to show its financial records sales profit loss and other information.

8) Very high management cost:

Top position holder chairman, directors, CEO and top officials are paid high salaries. Billions of rupees are spent for creating facilities and conveniences, for their comfort.

9) Other demerits:
a) Delay in decisions
b) Excessive regulations by the laws
c) Less flexibility

Types of company:

Types of company

- 1) Chartered companies
- 2) statutory companies
- 3) registered companies
  - Holding & subsidiary Company
  - government company
  - ordinary company
  - other company

1) Charted companies:

These companies are incorporated under a special royal charter, issued by the king. These companies were started in the 17th and 18th centuries, for example the east India company and the bank of England are charted companies.

2) Statutory companies:

Statutory companies are incorporated under the special act of the parliament or the state legislature, like state electricity reserve bank of India, state bank India etc.

3) Registered companies:

This category includes the following sub types:

a) Holding and subsidiary companies:

Holding companies hold more than 50% of share of other companies, while subsidiary companies are those companies of which more than 50% shares are hold by the holding company.

b) Government companies:

In the government companies, the government holds 51% or more share capital. These companies may conduct a business or operate industry on behalf of the government for example coal India limited, BHEL, GAIT etc.

c) Ordinary companies:

Ordinary companies include all private sector companies like 1) private limited company 2) public limited company 3) one person company. This category also includes Indian companies and companies.

d) Other companies:

- Companies limited by guarantee are liable to pay the guarantee amount at the time of liquidation of the time of the company.
- Companies limited by share capital (where the liability of members is limited up to the face value of shares).

- Companies by unlimited liabilities (where the liability of the member is unlimited, in case of the debts of the company exceeds its assets, the members are liable to pay from their personal assets.

One person company:

Concept:

There is only member in a one person company (OPC). An OPC allows a single entrepreneur to operate as corporate entity with limited liability protection. The primary purpose is to allow capable entrepreneurs to create a single person economic entity. It has separate legal entity from its member.

In OPC, there is only one member is both an owner as well as a director only a natural person. Who is and Indian citizen and resident of India shall be eligible to incorporate a one person company.

Conditions to from one person company:

1) Must have only one member at any point of time and must have only one director.
2) As per provision of an OPC every OPC must nominate a director in its MOA an AOA who will become the owner of an OPC in case of the promoter director is disable.
3) A person is not eligible to incorporate more than one OPC or become nominee.
4) A one person company must be converted into a private limited company if the capital of company a crosses ₹ 50 lakh or an annual turnover across of ₹ 2 caror. It has to file a form with the register of company (ROC) for conversion into a private limited company within six month.
5) Minor cannot become member.
6) A one person company cannot be incorporated or converted into a company.
7) One person company cannot carry out non banking financial investment activities.
8) An OPC cannot convert voluntarily into any kind of company unless two years have passed from the date of incorporation.

Features of one person company:

1) Meaning:

OPC is a new type of business organization that allows a single entrepreneur to operate as corporate entity with limited liability protection.

2) The act application:

One person company can be registered under the companies act 2013, a single national person can constitute a company under the OPC concept.

3) Purpose:

It enable individual capabilities to contribute to economic growth and generate employment opportunity.

4) Mandatory conditions:

Only a natural person who is an Indian citizen resident of India shall be eligible to incorporate a one person company.

5) Only one shareholders:

A single person can set up a company.

6) Separate entity:
It can operate same as private and public limited company.

7) Limited liability:
Liability is limited to company's capital and wealth.

8) Continuity or stability:
Its existence is not affected by the death or departure of the member. In or inability of the member the nominee can take the charge of company.

9) Borrowing capacity:
An OPC can issue debenture take secured or unsecured loans and aspect public deposits too.

10) Number of director:
This type of company has only one director.

<u>Process to incorporate one person company:</u>
OPC incorporation has to follow an online procedure the ministry of corporate affairs (MCA) operates a website to facilities the online registration.

The process of incorporation of one person company includes following steps:
1) Obtain digital signature certificate (DSC) for the proposed director.
2) Obtaining director identification number (DIN) for the proposed director.
3) Selecting suitable company name, and making an application to the ministry.
4) Drafting MOA, AOA and other documents.
5) Signing the documents and filling them with the registrar of company electronically.
6) Making payment of requisite fee to the ministry of corporate affairs and also stamps duty.
7) Getting documents scrutinized with the registrar of companies (ROC).
8) Receiving the certificate of registration / incorporation from the ROC.

<u>Cooperative society:</u>
Definitions:
The term "co-operative society" may also be define as "co-operative means living and working together for mutual benefit / interest."

Person with common interest get associated voluntarily to fulfill economic interest of the members.

<u>Characteristics:</u>
1) Voluntary association:
Any person irrespective of sex, caste economic condition, status and religion can join the society. He/she can join with free will and can leave at any time after giving notice to the society.

2) Unity or cooperation:
Every members of a cooperative organization shall work for general interest of the organization as a whole and not for personal interest.

3) **Common interest:**

Here, the principles of common interest is to be followed. It may carry out a activity such as agricultural finance manufacturing trade etc.

4) **Finance:**

The share capital is generally limited to the members only moreover any cooperative society can raise funds by loans from state and central cooperative banks.

5) **Democratic management:**

Here voting right is based membership and not on basis of the member of shares.

6) **Open membership:**

Membership is open for all adults men and women without any discrimination of cost, creed, political affiliation, color or religion rich and poor, educated and uneducated can join the cooperative organization by holding a small amount of shares.

7) **Service motive:**

Economic upliftment of members through cooperative is the prime motive profit is a secondary motive it should earn reasonable profit for sustainability and development profit is distributed as per the provision of the cooperative societies act 1961.

8) **Compulsory registration:**

It is mandatory that all the cooperative societies to be registered under the cooperative societies act 1961.

9) **Corporate status or separate identity:**

The cooperative organizations have to be registered under the cooperative societies act. This provides a separate legal identity to all the cooperative organization same as a company.

10) **Disposal of surplus:**

A society follows a fair distribution of profit. The spurious or profit arises from the business of the society is distributed in form of divided and bonus. Rate of divided and amount of bonus are decided by the governing body of the society residual profits are used for welfares of members and society.

<u>Formation of cooperative society:</u>

In each of the districts, the district registrar office regulates functioning of cooperative societies.

A cooperative society (at the state level) is formed under the special act the cooperative society's act 1961. Thus the cooperative society is formed and worked under the cooperative societies are registered and controlled under the cooperative societies act, 2002.

The promoters frame the bye laws documents are submitted along with application to the registrar of cooperative society.

At least ten adult persons are required to form a cooperative society. The application of registration is made with the register furnish necessary information. The information contains:

1) Name and address of the society
2) Objects of the society
3) Particulars of the share capital

4) Details of members
5) Any other information

The application form is duly dated and signed by all the members along with application attach copies of bye laws of the society.

A completely filled application form along with required documents and registration fees are submitted to the registrar. The registrar after scrunching of the application and attachments if satisfied enters the name of society in the register. Then be issues a “certificate or registration: now it has a separate legal status.

The society can issue shares to the people who want to join the society in the first meeting, members of local council are elected. The elected members elect the chairmen, vice chairmen and secretary. The elected officials appoints necessary staff and run the cooperative society within purview of provisions of the act.

Merits:

1) **Easy formation:**

In requires minimum ten adult persons who want to form the society: after completing necessary formalities of the registration the society is registered by the registrar.

2) **Helping the poor:**

Needy people form a cooperative society to help themselves solve their economic problems. The best examples are: dairy cooperatives in India.

3) **Separate legal status:**

After registration the society gets a separate legal identity or status. A cooperative society is a legal person. A common seal can be treated as signature of the society.

4) **No threat of competition:**

Cooperative society experiences a limited threat of direct competition with big business organization, giant companies do not directly harm to such organization.

5) **Limited liability:**

The liability of its members is limited to the shares they hold. In case of any extraordinary economic crisis they are liable up to their shareholding.

6) **Continuity:**

Existence of the cooperative society is not affected by the death, insolvency or retirement of the member. The members and the society are two different parties.

7) **Democratic and less expensive management:**

In a cooperative society the general rules is: one man, one vote. All members has the right to take part in discussion. A person with only one shares can also become the president of the society.

8) **Public welfare:**

The main focus area of any cooperative society is reaching the grass rout society and providing service to them with cooperative spirit.

9) Open membership:

The membership is open for all. It promotes communal harmony and cooperative among differ classes of people.

10) Goods for the society:

A cooperative society helps poor and needy people to get necessary daily use products at reasonable price and protects them from exploitation. It also supplies its members with necessary raw material tools and other inputs at fair rate. It support self employment.

<u>Demerits of cooperative society:</u>

1) Limitation of capital:

The members generally belongs to the middle class or the backward class people of the society. It is obvious that their contribution cannot provide the required capitals limited fund limited operation volume of business.

2) Government regulations:

The cooperative societies have to follow rules and regulation, the governing body has to work within the limit to several restrictions.

3) Inefficiency of management:

The board of director of the cooperative society is the main governing body. It may not have the knowledge and skill of sound administration. In some cases even the employees are not well qualified to take managerial complexities.

4) Disputes among members:

It involves many person with different backgrounds. Conflicts or disputs among members spoil aim of cooperative spirit among member.

5) Lack of secrecy:

It is compulsory for cooperative society to disclose financial information to its members. Maintain business secrecy in every decision is not possible.

6) Absence of cooperative spirit:

Cooperative societies fail to provide necessary services to their members.

7) Indirect political interference:

Various political directly or indirectly attempt to get control over the cooperative society.

8) Insufficient motivation:

Rate of return to members is limited by the law.

9) Secrecy and disputing among members:

The members do not work enthusiastic in a long run. Once the wave of enthusiasm about the cooperative ideas and spirit are exhausted, intrigue and factionalism arise among members.

10) Misuse of freedom:

Some members unnecessary create disturbance in society meeting and routine administration, groupies, casteism, selfishness, distruct etc, do have adverse impacts on transparent administration strong members with political background, dominate internal administration.

Federal cooperative society:

As per the definitions given in the cooperative societies means a cooperative societies. (but not to general public) formed with the main objective to propagate and promote to activities in the field of art, culture, education, it training, industry etc.

Individuals cooperative society has many limitations such as limited fund, limited operations limited political influence and tack of professional management so they join together and a form business federation has combined strength of members cooperatives. Generally such federations are formed at district level, state level and national level.

The business federations of cooperative at the state level and national level assist the members cooperative societies in marketing and development of activities.

In simple words, federal cooperative society where in only cooperative societies can be the members, generally it serves as the highest level among all the cooperative societies. The main objective of such firms it to provide necessary financial marketing and other required operational assistance to the member cooperative societies.

1) Gujarat cooperative milk marketing federation Ltd. (GCMMF)
2) Gujarat state cooperative cotton federation Ltd.
3) Himachal Pradesh cooperative marketing and consumers federation (HTMFED).
4) Indian farmers fertilizers cooperative (IFFCO).
5) National agricultural cooperative marketing federation (NAFED).
6) National cooperative agricultural and rural development banks federation Ltd (NCARDB federation).
7) National federation of state cooperative banks. (NAFSCOB).
8) National federation of urban cooperative bank and credit societies Ltd. (NAFCUB).
9) National cooperative consumers federation (NCCF).
10) National federation of sugar factories.
11) National federation of cooperative spinning mills.
12) National federation of dairy cooperative.

Multinational corporations:

Introduction:

A multinational corporation (MNC) is a company that has business operations in at least one country other than its home country. According to same experts multinational company or corporation also generated at least 25% of its revenue outside of its home country.

Meaning:

"Alan Shapiro" believes that if the firm operates in more than one country then it can be considered as MNC. Also he is of the opinion that a MNC is a company that its operations are made on international level with the assistance of so called subsidiaries offices or production facilities in two countries or more.

Types of multinational corporations:

1) Decentralizes corporation

2) Centralized corporation
3) Intimation division
4) Transnational corporation

1) Decentralized corporation:

A decentralized corporation maintain a presence in its home country and has autonomous offices and other facilities in locations around the world. This type of multinational company has the capability to achieve more faster because its decentralized. Each office manages the local business itself making its own decision.

2) Centralized global corporation:

A centralized global corporation has a central headquarters in the home country. Executive officers and management located there oversee. The global officers and operations as well as domestic operation they rather than managers at local offices in foreign countries make the key business decision. The offices typically must report to the and obtain approval from headquarters personal for major activities.

3) International division within a corporation:

An international division is that part of the multinational corporation that has been made responsible for all international operations. This structure facilities business decision making and general activities in local foreign markets maintain and presenting the carefully nurtured enterprise wise brand image established by the multinational may also be challenge.

4) Transactional corporation:

A transactional corporation involves parent subsidiary structure where by the parent company oversees the operations of subsidiaries in foreign countries as well as in the home country, subsidiaries can make use of the parent usually maintains a management role directing the operations of its subsidiaries domestic and foreign.

<u>**Features:**</u>

1) Assets and turnover:

They occupied huge physical and financial assets results in very high turnover many MNC are biggest than national economics of several countries.

2) Network of branches:

They have production and marketing operations is several countries. They operations through a network of branches, subsidiaries and affiliates in host countries.

3) Unity of control:

MNCS control business activities of their branches in foreign countries through head office located in the home country.

4) Economic power:

5) Technological advancement:

Generally a MNC has it command advanced and sophisticated technology its employs capital intensive technology in manufacturing and marketing.

6) Professional management:

A MNC employs professionally trained managers to handle huge funds.

7) Advertising and marketing:

MNCS spend huge sum of money advertising and marketing to secure international business.

8) Quality of products:

Compact on the world level if there for has to pay special attention to the quality of its products.

<u>Advantages:</u>

1) Efficiency:

Multinational companies are enough efficient to reach their target markets.

2) Inflow of foreign capital:

MNCS bring in much needed capital for the rapid development of developing countries. In fact with the entry of MNCS inflow of foreign capital is automatic. India e.g. has attracted foreign investment with several millions dollars.

3) Use of idle resources:

MNC's are in a position to properly utilize idle physical and human resources of the host country increase in the national income of the host country.

4) Economic development:

Multinational corporation pay better than domestic companies, making them more attractive to the local labor force.

5) Technical development:

Advantages of technical development host countries. MNC's are a vehicle for transference of technical development from one country to another.

6) Managerial development:

Employee latest management techniques. This leads to managerial development in most countries.

7) Employment:

Normally hired local workers who know the culture of their place thus they are able to give helpful insider feedback on what the locals required.

8) Innovation:

Employee both locals and foreign workers they are able to come up with products that are more creative and innovation.

9) Standard of living:

By providing super quality products and services, MNCS help to improve the standard of living of people of host countries.

<u>Limitation:</u>

1) **Risk for local companies:**

Because of their rest economic power pose a danger to domestic industries many domestic industries have to wind up as a result of threat from MNCS.

2) **Repatriation of profits:**

MNCs earn huge profits they mostly send some part of profits to their country such practice of repatriation of profits by MNCS.

3) **Not beneficial for poor:**

MNCS produce only those things which are used by the rich.

4) **Danger to independence:**

Helps the government of the host country in a number of ways and then gradually start interfacing in the political affairs of the host country.

5) **Host country:**

They do not care for the development of backward regions: and never care to solve chronic problems of the host country like unemployment and poverty.

6) **Misuse of status:**

They can afford to bear losses for a long while in the hope of earning huge profits once they have ended local competition and achieved monopoly.

7) **Exploitation of natural resources:**

MNCS tend to use the natural resources of the host country carelessly.

8) **Selfish promotion:**

They make people forget about their own cultural heritage. In India e.g. MNCS have created a taste for synthetic food, soft drinks etc.

9) **Exploitation of people:**

MNCs join hands with big business houses of host country and emerge as powerful monopolies. This leads to concentration of economic power only in a few hands.

<u>Choice of form of business organization:</u>

Any business requires proper management and organization of business activities in a appropriate from, for this it is essential for an organization to determine its form of business organization. The decision of choosing an appropriate from of business organization falls on a firm either at the time of starting a business or expanding an existing business.

<u>Factor affecting:</u>

1) **Cost of incorporation:**

Starting up a new business or expanding an existing business needs some cost. It is easy to start a sole proprietorship business, forming a partnership firm also requires less cost. However for the formation of cooperative societies and a company it is compulsory to get registered opening up a company or expanding a business into a company is a complex process and requires and expensive and lengthy legal requirements.

2) **Liability:**

The owner of sole proprietorship or partnership firm has unlimited liability It means that at the time of paying of the debts of the business their personal proper can also be used. The member of a company and cooperative society enjoy limited liability.

3) **Continuity:**

In company and cooperative society the members enjoy continuity however the continuity of a partnership firm and sole proprietorship is affected by the death, insanity or insolvency of a partner and owner.

4) **Management ability:**

It is difficult to have expertise in all areas of management in the case sole proprietorship. In the case of company cooperative society and partnership the work is divided amongst members.

5) **Finance:**

In the owner of the business requires less capital and can manage the capital requirement from the own resources then sole proprietorship is suitable however if the owner of the business requires large capital.

6) **Control:**

If the owner of the business wants to have direct control over the business activities and its operations the sole proprietorship is suitable. However if the owners of the firm don't want direct control and agree to share the control over the business and the decision making power then the company and partnership form of business organization is preferable.

7) **Nature of business:**

If the owners of the business want direct personal contact with the customers' then sole proprietorship is suitable partnership is preferable for professional services. However for large manufacturing units, company is the best form of organization.

<u>Business combinations:</u>

Introduction:

When two or more independent business entities join together for specific purpose the act is called a business combination.

<u>Definitions:</u>

"A business combination is transaction or an event in which one company obtains control of one or more companies. It is combination of one or more companies into a new entity."

<u>Cause of business combination:</u>

1) **Avoiding wasteful competition:**

Serve competition affects profitability as everyone has to sell at low price. All business firms become the loser due to more and more wasteful advertising duplication and cross transport. To avoid wasteful competition independent business entities prefer to form business combination.

2) **Benefits of economics of large scale operations:**

Naturally a large size organization can manage its operations more efficiently. The big size also enables the firm to develop a greater resistance to risks and fluctuations in economic activities.

3) **Desire for monopoly power:**

A firm with monopoly position in the market can get more benefits. Monopoly leads to the control over the market which features larger profits.

4) **Business or trade cycles:**

Business cycles leads to upsides and downsides in business opportunities during the boom stage, companies can harvest more profits due to unusual growth, which attracts competition, during depression many firms have to face business crisis, they have an option to form a business combination to survive during hard times.

5) **Joint stock companies:**

A holding company can easily acquire controlling interests in the share capital of various other companies. It is difficult to form a combination of sole traders and partnership because they are very large in numbers.

6) **Impact of tariffs:**

To protect the home industry against foreign competition, sometimes protective tariffs are imposed on goods from foreign countries. In fact imposition of tariffs restricts foreign competition but definitely increase competition among domestic procedures. Sugar industry in India is good example in the respect. Protection was granted to the industry in 1932 and in 1937. As a result sugar syndicate was formed.

7) **Respect for bigness:**

A big company solicits more respect, pockets more market share, bags more profits dares take more risk, holds a strong boar bargaining position and enjoys satisfactory political influence. A businessman is highly respected in the industry if he owns a big business unit.

8) **Benefits of managing and organizing talent:**

The scarcity of managing and organizing talent has also induced the formation of combination.

9) **Personal ambition:**

Some powerful business persons desire to build up industrial empires. They desire to be the chief of huge enterprises. This desire motivates them to establish big sized business units and have control over a large no. of such units.

10) **Encouragement by the government:**

When the government feels that an intensified competition is wasteful and harmful to social interest, it may encourage the smaller firms to absorb in bigger firms for example the government of India enacted thee iron and steel companies amalgamation act 1952, to effect amalgamation of the Indian iron and steel co. Ltd with the steel corporation of Bengal co. Ltd.

11) **Patent rights:**

As per the patent law no one can use patent expert the firm or person in whose name it is registered even other companies desire to join with the company that owns patent, to take legal benefits of the patent.

Types of business combination:

1) Vertical combination
2) Horizontal combination
3) Latest combination
4) Diagonal combination
5) Mixed combination

1) Vertical combination:

Vertical combination is made of the firms engaged in different process for manufacturing a product. This is a business combination where in various department of large industries units come together under single management. In a cotton textile different units are engaged in successive stages such as spinning, weaving, blenching and finishing. Instead of carrying out individual process by an individual firm all firms carrying different processes join together under a single management TISCO is good e.x. of vertical combination.

2) Horizontal combination:

This type of combination is an association of two or more firms produces the same products. It is also preferred as voluntary combination for e.x. three cement manufacturing firms are brought under a single management.

3) Latest combination:

This is a combination of different products for e.x. a construction company may create an association with stone suppliers cement companies raw materials may also form a combination.

4) Diagonal combination:

This combination is integration of the main firm with ancillary services required in the production. An EMCG company may from a combination with transport firms, warehouse firms, advertising firms, employment agencies etc.

5) Circular or mixed combination:

When two or more firm with completely different products combine for some purpose, it is a case of a circular form of business combination. For example, a construction company a textile mills a sugar factory and a cement manufacture combine under the central agency.

Forms of business combination:

1) Association:

Association is a voluntary combination of business unit, primarily formed to promote their common interest though joint actions.

2) Federation:

Federation means a association of business firms engaged in the same business. It is a written agreement to follow certain policies in common the firm remain a separate entity but are bond to follow common agreement they include: 1) pool and 2) cartels.

3) **Consolidation:**

Consolidation accurse when a new corporation is formed to take over the assets and operations of two or more separate business entities for example company is formed and acquires. The assets of company A, company B, and company C, company A, B, C are dissolved and company D survives with and liabilities of all three films consolidation includes:

1. Practical consolidation, including trust
2. Complete consolidation, including amalgamation and merger.

4) **Merger**:

Merge means dissolve or thus, merger means absorption of weaker units by a stronger unit. The absorbing / acquiring company takes over the assets and liability of the observed company. Hence the identity of the absorbed company is completely cost.

For e.g. company "A" purchases debt equity and assets of company "B" for cash, company "A" survives with assets and liability of company.

<u>Acquisitions or takeover:</u>

An acquisition or takeover is the purchase by one company of controlling interest in the share capital or all or substantially all of the assets and liabilities of another company.

1) **Friendly takeover:**

Is commonly referred to as negotiated takeover a friendly takeover involves an acquisition of the target company through negotiations between the existing promoters and prospective investors.

2) **Hostile takeover:**

A hostile takeover can happen by way of any of the following actions. If the board rejects the offer but bidder makes the offer without hidden makes the offer without informing the board before hand.

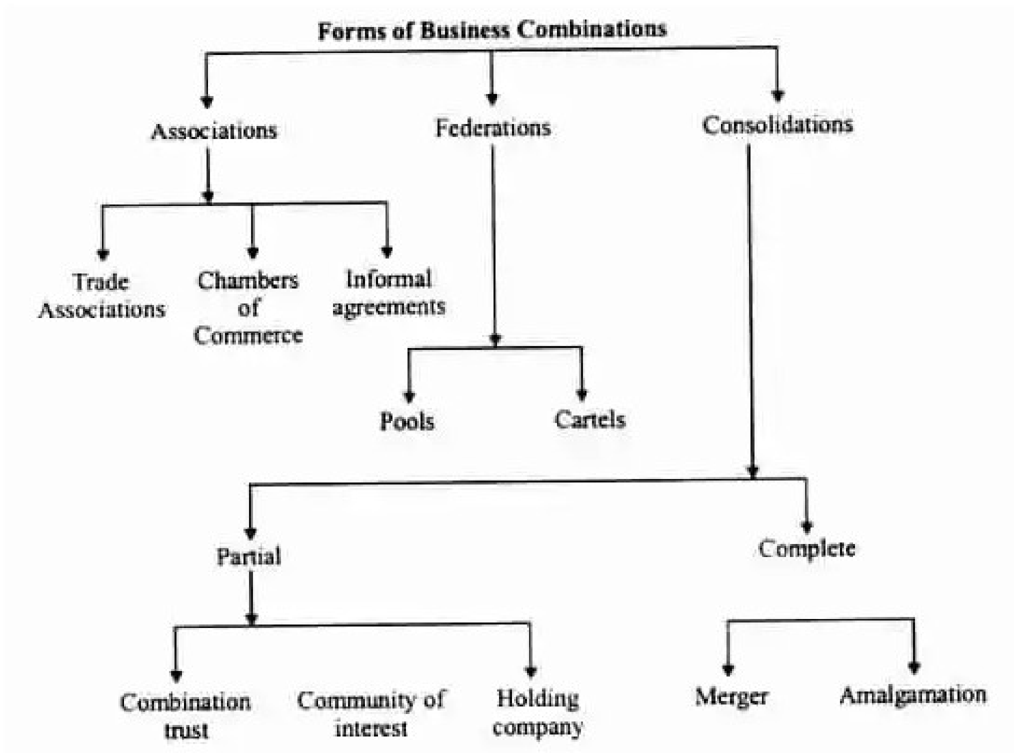
3) **Leveraged buyouts:**

These are a form of takeover where the acquisition is funded by borrowed money often the target company are as collateral for the loan. This is a common structure when acquires wish, to make large acquisims without having to commit.

4) **Bailout takeover:**

Another form of takeover is a "bail" out takeover in which a profit making company acquires a sick company.

<u>Forms of business organization:</u>


Forms of Business Combinations
Associations
Federations
Consolidations
Trade Associations
Chambers of Commerce
Informal agreements
Pools
Cartels
Partial
Complete
Combination trust
Community of interest
Holding company
Merger
Amalgamation

UNIT-3
BUSINESS ENVIRONMENT

Introduction:

Business environment refer to the whole group of factors influencing business. The success of business units depends on whether environment is favorable or unfavorable to it.

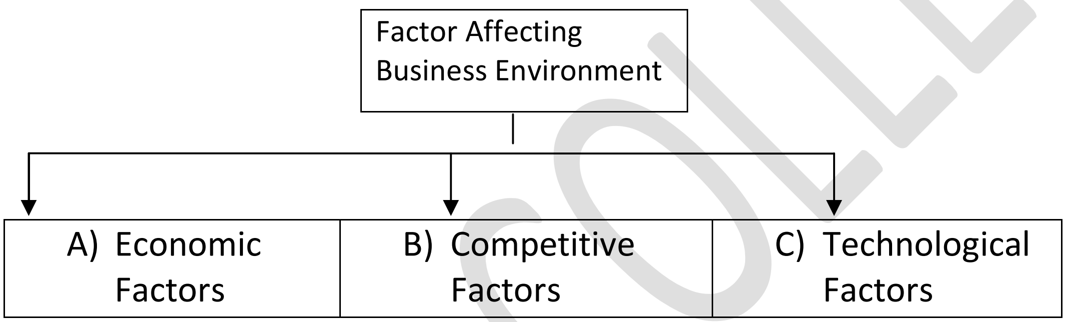
Meaning:

- Business environment refer to all those internal & external factor that influence on the business.

According to William and jouch, "Business environment is combination of external factors which create opportunities and challenges for the business firms and which consists of social, economic, technological and political conditions."

Generally the term business environment is interpreted to mean macro factor of the external environment which influence the working of the business firms and yet they are not under the control of these firms.

Factor Affecting Business Environment



A) Economic Factors

Economic factor are internal and external factors in market that affect the economy. In economic factor most important factor is demand for goods and services. The demand largely depends on:

1) Purchasing power of consumer
2) Willingness to buy a product

The purchasing power determined by the factors likes employment, level of taxes saving and price levels of goods and services.

As for willingness to purchase, it mainly depends on

a) Choice of preference in respect of goods and services
b) Expectation about future change in income.

If any person's income is likely to increase in near future, than his purchasing power and willingness to buy would increase. Other factor which affect business environment.

1) Growth rate of GDP and per capita income.
2) Rate of saving and investment.
3) Change in patter of income distribution.

4) Trend in export and imports.
5) Sectoral allocation in government budget.
6) Monetary and fiscal policy of government.
7) Inflation rate
8) Tax structure and public debt.

- Economic policies like industrial, trade exchange, technology policy and foreign investment can have significant effect on business firm.
- Industrial policies define role of different sector like private, public, co-operative and size of enterprise like large, medium and tiny units. In India, economic liberalization has expanded business opportunities.
- Trade policies also affect business for example protection policy restricting import of foreign goods is beneficial to the industries.
- Fiscal policies is the policy of income and expenditure of the state also impact on firm. The tax incentive are used to discourage certain industries while tax disincentives are used to discourage certain industries.
- Monetary policies is used by central bank of country to expand or contact money supply in economy and also to raise or reduce rate of interest.
- Economy condition in country also influence business firms. Business firm will person under boom condition and hit hards in times of depression.

A) <u>Competitive Factors</u>

It is essential for an entrepreneur to make through and in depth study and extenet of the competition prevailing in industry. The entrepreneur must be fully acquainted with such competitive force to obtain long run benefit. While taking decision businessman has to consider this points:

1) What is the position of industry in the market?
2) What are the factor responsible for competition?
3) Who are the competitors in the market?

Following additional information should be obtained

- Nature of firm in contex of competitors.
- Financial strength of competitors.
- Asset and profitability of competitors.
- Details about product of the competitive firm.
- Price packing, advertisement, sale promotion distributive system of competitor.
- Consumer trends of the competitive firms.
- Difference between the product of rival firm and our product.
- Strength and weakness of competitors. If entrepreneur want to obtain long run benefits that he must be prepared with all relevant strategies and planning to enable his firm to sustain in the competitive market.

B) <u>Technological Factors</u>

New researches and new invention affect the decision – making process of firm. For example the advent of computer in fact has brought about revolution in the working operation of firm.

The rapid advancement in information technology has resulted in a substantial increase in production, productivity and sales. Production of goods and services at low cost, a higher level of efficiency and productivity, easy availability of diversified product through innovation have in fact, brought about a radical change in market trends.

These are broadly three main stages of changes in technological environment.

1) Research-invention of new product and new productive process
2) Innovation-practical application and use of new product and product and productive process
3) Generalization -widening the spread base of new product and new productive process

It may also be mention here that technological changes too have direct impact on social, economic and legal framework.

Industries like chemicals, electronics, aerospace, communication power and energy etc are witnessing continuous technology changes.

Environment Sectors

The environment sector are classified into two parts as under:

Environment Sector

1) External Environment

1) Political Events
2) Economic Events
3) Social Events
4) Technological Events
5) Environmental Events
6) Legal Events

2) Internal Environment

1) Value System
2) Vision, Mission & Objective
3) Organizational Structure
4) Corporate Culture
5) Management Style
6) Human Resources
7) Labour Unions
8) Resource & Technology

Dimensions Of Business Environment

The PESTEL analysis is an acronym which describes the six categories of the external environment which affect the business performance. They are 1) P - Political 2) E – Economic 3) S - Social 4) T – Technological 5) E – Environmental 6) L – Legal

The PESTEL framework is basically management tool widely used by the strategic management. As they affect the present and future performance of company, their continuous analysis help the top management.

Each elements of the PESTEL analysis generally considers the following events.

1) **Political Events**
   - Political will backed – up by communism, socialism, capitalism, autocracy etc.
   - Stability of the government.
   - Social concerns reflecting in framing social welfare policies.
   - Tax policies directed toward inclusive growth.
   - Taxation policies including tax treaties with other countries.
   - International economic co-operation for import of technology and funds.

2) **Economic Event**
   - Economic growth rate – agriculture, industry and service sector wise focus.
   - Per capita income, saving rate, taxation and disposable income.
   - Adoption of technology.
   - Monetary policies affecting interest rate and inflation rates.
   - Import and export policies.
   - Creation of employment opportunities.
   - Entrepreneurship development programs.
   - Focus on research and development.
   - Investment in economic infrastructure like transport, power, telecommunication etc.

3) **Social Events**
   - Demographic set-up: Break up of population in young, old, literate, poor people etc.
   - Per capita income and distribution of wealthy.
   - Change in life style, fashion trends, food habits, work culture etc.
   - Investment in social infrastructure like education, healthy, sports etc.

4) **Technological Events**
   - New innovations and technological discoveries and developments.
   - Priorities to technological developments and its quick and appropriate adoption.
   - Examples of technological factor which affect business is growing use of method of e-payment like: paytm, google pay etc.
   - Cell phones have taken over the market from landline phones.
   - Cable TV has adversely affect radio and cinema industry.

5) **Environment Sector**
   - Protection of biomass like animals, agriculture and micro insects.
   - Control on climate change through environment protection laws.
   - Regulation on water, air and noise pollution.
   - Energy consumption regulation.
   - Encouragement to non-conventional solar energy like solar, wing lidal energy.
   - Creation of the environment conscious citizens and society.

6) **Legal Events**
   - Right to information.
   - Employee protection laws.
   - Public health and safety related regulation.
   - Some of example are advertisement related regulation.

- Direction of surpreme cour that only green crackers will be available for sale within the country.
- Consumer protection act, trademark act, pssential commodities act are also consider as legal events.

Internal Environment

The internal environment refers to the culture, stakeholders, events and factors within an organization that has the ability to influence the decision of the organization.

1) **Value System**

A value system is a set of consistent and logical principles adopted by a firm to guide its behavior and decision making in various circumstances. Establishing and maintaing a clear set of value creates organizational consistency and integrity which shows employee. What their employer stand for.

2) **Vision, Mission And Objectives**

- Vision is on idea that executives have about the organization's future and what it can become.
- Mission concentrates on the specific purpose behind a company's existence and how the company plans to serve its customer.

Both company vision and mission directly impact each organization's objectives. Objectives are specific milestones set to be accomplished within available resources.

3) **Organizational Structure**

The structure of the organization determines the way in which activities are directed in the organization so as to reach ultimate goal. The activity include the delegation of task, coordination, level of professionalization and supervision. It can be matrix structure functional structure, divisional structure etc.

4) **Corporate Culture**

Corporate culture ascertain the way in which employees and management communicate and manage the external affairs. Creating a healthy company culture is an important goal for many companies regardless of their size, as doing this helps them make their employees happier and improve employee retention although each organization may choose to create its corporate culture.

5) **Management Style**

Management style is specific way in which managers approach their leadership responsibilities. By following one style of management, supervisor can ensure the team collaborates well and encourage a positive environment. Different management styles includes autocratic, democratic etc.

6) **Human Resources**

Human resources is the most valuable asset of the organization as the success or failure of an organization highly depends on the human resources of organization. Only with the help of effort of human resources professionals, organizations can achieve many of their internal goals.

7) **Labour Unions**

Through unions, employee can collaboratively ask their manager for a pay rise or notify them that improving their work condition is necessary. To make labour union a more effective, it's crucial that all leaders and managers acknowledge their importance and company specific right.

8) **Physical Resources And Technological Capabilities**

Physical resources refer to the tangible assets of organization that play an important role in ascertaining the competitive capability of the company further, technological capabilities imply the technical know how of organization.

Internal environment factor have a direct impact on a firm. Further these factor can be altered as per the need and situation, so as to adopt accordingly in the dynamic business environment.

Importance Of Business Environment

1) Identification of business opportunities
2) Optimum utilization of resources
3) Identification of threat
4) Know rapid change accure in market
5) Meeting competition
6) Continuous learning

Nature Of Business Environments

1) Dynamic and ever changing
2) Interrelated elements
3) Uncertainty
4) Complexity
5) It create threats and opportunities

Unit – 4
Entrepreneurship

Entrepreneur:

An entrepreneur is an individual who creates a new business, bearing most of the risk and enjoying most of the rewards. He applies new idea to business practices, introduction invention, produce and sells goods and use his profit income for reinvestment and expansion of business.

The word orginates from the French word entreprendre which means "to undertake". The term entrepreneur was first used by Richard cantillon.

According to Richard cantillon an entrepreneur was one who buy factor services at certain price in order to combine them to produce a product and sell it at uncertain price at the moment at which he commits himself to his costs.

According to Peter F. Drucker an entrepreneur is always in search of change, responds to it and dervies benefit by using it as an opportunity.

According to schumpter, innovation to be the most important function of entrepreneur.

According to Denhoff, to choose the best alternative is the most important funcation of the entrepreneur.

Hence entrepreneur is a

- Uncertainty bearer
- Organizer
- Innovator
- Industrialist
- Opportunist

Example of some entrepreneur are Jamshedji Tata, Narayana Murthy, Bill Gates, Steve Jobs Deepinder Goyal etc.

Characteristics Of Entrepreneur:

1) Leadership:

An entrepreneur is essentially a leader, a psychologist entrepreneur are men who exhibit qualities of leadership in solving problems. They have to lead a team for achievement of goal.

2) Risk – Bearing

Entrepreneur is always ready to bear risk. He is different from a manager. An entrepreneur undertakes those risk which are though and well planned.

3) Man Who Innovates

Entrepreneur has a power of imagination. He puts his idea in practice and gives a concrete shape to his idea. He introduce a new product a new method of production new market or a new design for his product.

4) Highly Optimistic

A successful entrepreneur is always optimistic and is not disturbed by the present problem faced by him. He always optimistic for future, that the situation will became favourable for business in future.

5) Energetic

He is full of energy so that he can work for long hours because he is committed to the project completely.

6) Vehicle Of Change

He is not satisfied with what is common, routine and usual, He wants to create something new.

7) Co-Ordinate Factor Of Production

Entrepreneurship is one of the four factor of production, the other being land labour and capital. But it is entrepreneur who coordinate all factor of production so that his profit is maximized.

8) Human Relation Ability

He maintains good relations with employees, customer, suppliers and creditors which help the business.

9) Beneficial To Society

Employment, output and income increase in the economy. Better goods become available to the people at low prices. People's standard of living improve.

❖ **Qualities Of True Entrepreneur**

1) Creative ideas
2) Leadership
3) Risk Taking Ability
4) Honesty
5) Technical Knowledge
6) Open-Mindless
7) Customer-Focused
8) Self-Confidence
9) Co-Operative
10) Sense of Dedication
11) Optimism
12) Patience
13) Clear Vision

➢ **Functions Of Entrepreneur**

Different authors has different views on regarding function of entrepreneur.

According to Marshall: Organization and management of the productive enterprise According to J.B say & cantillon: Risk taking
According to prof BR knight: Risk taking and control
According to Schumpter: Innovation
According to Arthur H.Cole: Decision making

So, we can classify the function of an entrepreneur under following heads:
1) Entrepreneurial function
2) Primary function
3) Other function

1) Entrepreneurial Function:

- Idea generation
- Determination of objectives
- Raising funds
- Procurement of raw material
- Procurement of machinery
- Market research
- Determination of form of enterprise
- Recruitment of manpower
- Implementation of project

2) Primary Functions

- Planning
- Organization
- Decision Making
- Management
- Innovation
- Risk Bearing
- Uncertainy Bearing

3) Other Functions

- Diversification of production
- Expansion of the enterprise

❖ Responsibilities Of Entrepreneur

1) To produce finance for business activity and to maintain an optimum ratio of debt and equity.
2) To take decision with regard to the location and layout of business unit.
3) To divide the function of the unit into different department.
4) To undertake marketing of the product.
5) To make study of environment.
6) To purchase machinery and equipment and to provide for their maintenance.

❖ Forms Of Entrepreneur:

1) **Innovative and imitative**

Innovative entrepreneur are the person who see the opportunity for introducing a new technique of production or a new commodity or a new market. Imitative entrepreneur are the person who are always eager to imitate successful innovations of the advanced countries even imitation is not easy job. It also require a clear understanding of the innovation and skill to reproduce it.

2) **Educated and Uneducated**

The entrepreneur who cannot read and write are describe as uneducated entrepreneurs educated entrepreneur are the person who have received formal education in arts, commerce or science or hold a degree or diploma.

3) **Born and Made**

Some entrepreneurs are born with the special qualities of entrepreneurs. It is a nature's gift for them some educated youth get admitted on the training in state to learn and practice the entrepreneurial function. They are known as 'made entrepreneur'.

4) **Urban and Rural**

Urban entrepreneurs are the one who belongs to urban areas or those who prefer to set up their enterprises in urban areas because of the fact that the goods they produce rural entrepreneur belongs to rural areas or those who set up their enterprise in rural areas because they produce and sell agro based product.

5) **Foreign and Indian**

The foreigners who establish business enterprise business in India are called foreign entrepreneurs. On the other hand Indian citizens who establish their enterprises in Indian in traditional manner are Indian entrepreneur.

6) **Rich and Poor**

Rich entrepreneur are the person who have enough money to spend on consumption and investment, on the other some person do possess entrepreneurial skills but they do not have fund to establish an industrial enterprise. Outside support can help this type of entrepreneur.

7) **Male and Female**

Since long ours has been a male dominated society, here women would remain within four walls but in modern times, women have come out of the four wall of houses in all sort of activities. Now they have started planning into industry also and are running their

Enterprise successfully. Women entrepreneur account for only about 10% of total entrepreneurs in India.

❖ **Entrepreneurship**

Entrepreneurship is the process of creating, developing and managing a new business venture with the aim of generating profits or creating value.

Thinkers	Approach of Entrepreneurship
1) J.B SAY AND J.S. mill	There are four factor of production land, labour, capital And entrepreneurship. The entrepreneur combines the Remaining factors optimally with a view to make as much Profit as possible.
2) Harbinson and Marshall	Entrepreneurship has to do with the function of business Management it consists mainly of planning organizing and Controlling.
3) Joseph Schumpeter	He regards innovation as the most important aspect of Entrepreneurship.
4) Cantillon, J.E. stepanek	They hold that risk taking is the most important function of an entrepreneur.

❖ **<u>Difference between entrepreneur, entrepreneurship and enterprise</u>**

Entrepreneur → Person
Entrepreneurship → process or action
Enterprise → Outcome

An entrepreneur is a person who start an enterprise. The process of creation is called entrepreneurship. The outcome of entrepreneur and entrepreneurship is called enterprise. An enterprise is the business organization that is formed and which provide goods and services, create jobs, contribute to national income, export and contribute to the overall economic development.

❖ **<u>Characteristic of Entrepreneurship</u>**

1) <u>Entrepreneurship is a process</u>

Entrepreneurship includes business project, environments analysis, establishment of unit etc.

2) <u>Entrepreneurship is Goal-Oriented Activity</u>

Its main objective is to maximization of profit. He also bears all risk associated with innovation.

3) <u>Entrepreneurship is Professional Activity</u>

In modern age, entrepreneurship is looked at as a profession in the same manner as legal practice and medical practice. The entrepreneurial qualities can be cultivated and developed through study and training.

4) <u>Entrepreneurship and Innovation are Interconnected</u>

The project emerges as an idea in the mind of the entrepreneur and it finally culminates into establishment of an industrial unit.

5) <u>Entrepreneurship is Result-Oriented</u>

Entrepreneurship does not mean imaginary plans and decision laid down on paper its emphasis is on the target and their achievement.

6) Management is Vehicle

The business decision of entrepreneur are executed by the managers. The innovation concrete forms though management.

7) Risk Element

Risk is an inherent and inseparable element of entrepreneurship.

8) Organization Creator

It involves assembly and coordinating other faction of production land, Labour and capital.

9) Optimum use of Resources

Optimum the use of resources by arriving the most production combination that will provide the society its goods and services.

❖ **Types Of Entrepreneurship**

1) Small Business Entrepreneurship

These business are a grocery store travel agent, plumber, electrician. These people run or own their own business and hire local employees. They fund their business by taking small loans from banks.

2) Scalable Business Entrepreneurship

Scalable startup means young company with unique product which may become a big one in future. They start business with vision that they can change the world. They attract the investor with unique and out of the box ideas.

3) Large Company Entrepreneurship

These huge companies have defined lifecycle most of these companies grow and sustain by offering new and innovation product such as samsun. The change in technology, customer preference, new competition it build pressure for large companies to create an innovative product.

4) Social Entrepreneurship

This type of entrepreneurship focuses on producing product and services that resolve social needs and problems. Their only motto and goal is to work for society and not to make any profit.

❖ **Process Of Entrepreneurship**

Step: 1 Idea generation

Start with an idea that describes problem or need and a possible solution.

Step: 2 Opportunity evolutions

Determine if the idea is worth investing in.

Step: 3 Planning

Create plan to capitalize on the opportunity.

Step: 4 Company formation

Choose a corporate entity and create the business as a legal entity.

Step: 5 Growth

Create a product or services, generate revenue and work towards sustainable performance.

❖ **<u>Entrepreneurial ideas and opportunities in contemporary business environment</u>**

1) **<u>Technologic advancement</u>**

New technologies, like drones and artificial intelligence, can create new opportunities. For example, drones can be used for mapping delivering product etc.

2) **<u>Globalization</u>**

Globalization allows for import and export of goods, which can spread ideas for new product and services.

3) **<u>Economic factor</u>**

A strong economy can fuel other businesses. For example a growing housing market can lead to growth in related product and services.

4) **<u>Market research</u>**

Researching the market can help identify gaps between demand and supply, changing consumer preference and trends.

5) **<u>Trade</u>**

Analyzing prevailing trade methods can help Generate new ideas. E- Commerce has broadened the scope of trade globally and can be less risky area for new ideas.

Some other trends and opportunities include sustainable entrepreneurship, digital transformation developing mobile application, offering digital marketing service etc.

❖ **<u>Skill India</u>**

The chief objective of the skill India mission is to provide market relevant training to more than 40 crore young people in the country. To enhance the employability of the Indian workforce and make them more competitive in the global job market.

Sub schemes under skill Indian Mission

The skill India mission is an umbrella mission that has multiple scheme under it with specializes focus areas.

➢ **<u>National skill development mission(NSDM) :</u>**

It launched to create end to framework that would boost the sustainable live hood of citizen and align them with need of potential employers.

➢ **<u>Pradhan mantri kaushal vikas yojana (PMKVY):</u>**

This scheme aims to encourage the young people of country to take training and make them ready for industry relevant demands.

➢ PM-YUVA: This is releted to entrepreneurship training and education.
➢ Skill loan scheme: This scheme gives loans from Rs. 5000 to 1-5 lakhs for those who want to join skill development programs.

- Other scheme: One of this pradhan mantri yuva udaymita vikas Abhiyan various scheme are implemented by this.

❖ **<u>Object of skill India mission</u>**

- To create opportunities for the development of talent in India for youth.
- Skill India mission will close gap between the skill people process and the skill required by industry.
- Reducing proverty in India.
- It also aims to offer opportunities for life long learning and skill development.
- Building skill in youth that would actually help them in their career.

Causal workers who contribute 90% of labour force are poorly skilled so this mission help them. They focus on development of soft skills such as communication, critical thinking, technical skills etc. Promotion of apprenticeship and intership programs to provide hand on training and practical experience to the youth.

❖ **<u>Start-up India Policy</u>**

The start-up India policy aims at motivating the young and qualified Indian youth for entrepreneurship instead of going for employment.

It is launched by Prime Minister Narendra Modi. The start up policy firstly appealed to the ICI engineers and technician to start their own business unit. In India, Bangalore is the hub of IT industry so most of start-up project are started by the IT technician in Bangalore.

These schemes intend to put India on the industrial technology oriented map of world. The start-up India scheme was initiated by "Invest India" Institute in January, 2016 in collaboration with "upgrad institute".

A team of expert is constitude by the government of India. The team provide 4-weeks online training to the young entrepreneur free of cost and also provides the mentoring to such initiators on the 24 hour online basis.

<u>Characteristics of start-up India</u>

1) It was launched by government of India during January, 2016.
2) The objective is to provide assistance to emerging entrepreneur who intend curve their carrier as entrepreneurs rather than job seekers.
3) A team of 40 expert consisting of world renowned academician and the successful entrepreneur of country is cinstitude by the central governments.
   - Ramesh Abhishekh – DIPP secretary(project leader)
   - Tarun Davda- Managing director(Matrix partner India)
   - Abha Rishi- chairperson, BTMTECH
   - Bhavish Agrawal – Co founder of ola cabs.
   - Deep kalra- Founder of "Make-My-Trip" are some members of team.

4) The focus of the training is on the preparation of the "Business plan". The training syllabus include identification of business ideas, selection of form of business, financial aspect of business like

accounting, financial statement etc, periodic business planning, budgeting etc. After training certification will be issued by the Invest India.

The email id of start-up India is dipp start-up @ nic. In and toll free no 1800115565.

❖ **Make In India Movement**

- Major national progr designed to facilitate investment, faster innovation, enhance skill development protect intellectual property & build best in class infrastructure.
- Launched on 25 sep 2014 by the Prime Minister Mr. Narendra Modi.
- Termed ' make in India ' imitative a lion step to usher in increased manufacturing in country which will ultimately generate more employment, opportunities for the poor and give greater purchasing power in their hands.

❖ **Advantages of Make in India**

- Lead to manufacturing growth & growth market.
- Great opportunity for manufacturer to create a huge market for their products.
- Generate employment for the youth.
- Raise the national income.
- Attract foreign investors to enterprise in India.

❖ **Policy for the success of Make in India programme**

- 100% FDI allowed in the telecom sector.
- 100% FDI has been allowed in single brand retail.
- Validity of industrial license has been extended to 3 years.

- For all non – risk, non hazardous business a system of self certification has been included.
- Measures have been intiated for industrial training & skill development initiative of the government.
- The government will give encouragement to unit engaged in solar energy, digital technology, information highways etc.

❖ **Globalization**

Globalization is the process by which ideas, knowledge, information, goods and service spread around the world. Globalization enables business in one nation to access another nation's resources.

What Globalization Means

Globalization is a social, cultural political and legal phenomenon.

- Social, it leads to greater interaction among various population.
- Cultural, globalization represents the exchanges of ideas, values and artistic expression among culture, globalization also represents a trend toward development of a single world culture.
- Politically, globalization has shifted attention to intergovernmental organization like un and W.T.O
- Legally, globalization has altered how international law is created and enforce.

Because of globalization global supply chain now standard for the manufacture of many devices, ranging from cars to smart phones: the processes surrounding raw material components and assembly may take place across multiple countries.

One of the most significant impact of globalization on entrepreneurship is the access to new markets and customers. It creates new business that stimulate job growth, leading to increase employment rates and reduced poverty levels.

Some examples of globalization include McDonald's, Ford motor company, Amazon are multinational corporation. Globalization can affect entrepreneurship in number ways including market access, competition. Business strategies, networks, innovation.

A simple example of globalization would be a care, manufacture in us that sources parts from china, Japan, Southkorea, Sri lanka and South Africa. The car is then exported to Europe, where it is sold to a driven who fills the car's gas tank with gasoline refined from Saudi oil.

Unit- 5
Contemporary Issue Of Business Organization

Introduction

"Contemporary issue" refer to current and relevant topic or challenges societies, individuals or the world face in present times and contemporary issue that business organization is face present time is called contemporary issue of business organization.

The growth of Indian business began faster with the industrial revolution because of that structure of trade and industry and commerce became extremely complex further this raid the foundation of modern opportunities in different business sector include innovation, skill, responsibilities and so on.

Some contemporary issue businesses face are communication, Lack of collaboration Sustainability, Talented manpower, Technological environment, digital transformation, etc.

Innovation in Organization

Organizational innovation can be intended to increase a firm's performance by reducing administrative cost, improving workplace satisfaction, business practice which include leadership, culture, HRM, management process, learning external and internal communication etc. In short innovate in organization is maintaining competitiveness, fostering growth and ensuring long term view of business. Innovation is not merely about developing new product or services it include wide range of activities such as refining processes, implementing novel business models, and fostering a culture conductive to creative thinking.

Organizational innovation is an organization's structure, processes or culture that support or foster the capacity of innovation.

It deal with the broader, systemic changes and strategies organization adopt to become more innovative in their overall approach and operation.

Here are some reason why organizational innovation is important.

1) **<u>Competitive advantage</u>:** It allows themselves from their competitors by offering unique product or services, creating new market opportunities etc.

2) **<u>Improved efficiency and productivity</u>:** It help business to improve their processes reduce waste. This can result in increased efficiency and productivity which leads to cost saving and higher profits.

3) **<u>Increased employee engagement</u>:** Employee tend to be more engaged and motivated when they work in innovative environment.

4) **<u>Better customer experience</u>:** It helps business to understand customer needs and preferences, this leads to higher customers satisfaction, retention and loyalty.

5) **Flexibility and adaptability:** By embracing organizational innovation, businesses can become more adaptable to changing market condition. This can help them to stay ahead of the competition and respond quickly to new opportunities and challenges.

❖ **Types of Organizational Innovation**

1) **Product Innovation**

It revolves around creating or significantly improving goods. This can be anything from brand new technological to an update version of an existing product that adds substantial value to the consumer. Ex. Apple's introduction of the Iphone revolutionized the smartphone market integrating multimedia and capabilities in love device.

2) **Process Innovation**

Process innovation focuses on the methods and procedures of producing and delivering goods or services. Ex. Toyota's development of the Toyota production system is prime example of production system or process innovation which focus on waste reduction and efficiency.

3) **Organization Innovation**

It is about restructuring of company practices and operations, company culture external relation etc.

4) **Service Innovation**

It pertains to creating or enhancing services, including introducing the quality and delivery of existing services Ex. online banking have transformed traditional banking industry.

5) **Open Innovation**

It emphasizes the permeability of organizational boundaries, allowing inflow and out flow of knowledge Ex. Pharmaceutical companies often collaborate with biotech start-up to co develop new drugs.

❖ **Barrier to organizational innovation**

- Organizational culture: A culture that resists change can stifle innovation.
- Resource constraints: Insufficient time, or manpower can limit innovation efforts.
- Fear of failure: A risk averse environment might inhibit trying new thing.
- Lack of vision or strategy: Innovative effort can become scattered without clear direction.

❖ **Fostering innovation in organization**

- Creating a supportive culture.
- Investing in research and development.
- Collaborating with others.
- Continuous learning and training.

❖ **Workforce Diversity**

Workforce diversity is the inclusion of employee from different background, races cultures, gender, age religion in the workplace.

By having a diverse and inclusive workforce, businesses can benefits from a wide range of perspectives and ideas, which can help them to be more innovative and competitive.

Importance Of Workforce Diversity

1) **To Reflect The Community**

In order for businesses to be truly representative of the communities they serve, it is important that their workforce is diverse. This is important for business that provide services to the community, such as healthcare and education.

2) **To Retain More Employees**

A Diverse workforce can help to retain employees. Employees are more likely to stay with an organization if they feel that they belong and that their unique talents and perspectives are valued.

3) **To Attract Top Talent**

A diverse and inclusive workplace is attractive to top talent. In competitive job market, business need to be able to attract the best and the brightest is they want to be successful.

4) **To Address The Needs Of a Changing Labour Market**

The labour market is changing and becoming more diverse. As such, businesses need to be prepared to meet the need of a diverse workforce.

5) **To Better Understand Customers**

In order to be successful, businesses need to understand their customers. A diverse workforce can help business to better understand their customers the communities they serve.

6) **To Improve Their Reputation**

A diverse and inclusive workplace is often seen as a good place to work. This can help businesses to attract new customers and to build positive reputation.

❖ **Types Of Workforce Diversity**

1) **Internal Diversity**

It characteristics are those that the employee are born into. This include gender race, ethnicity, age, religion and ability.

2) **External Diversity**

It characteristics are those that employee acquire from their experience outside of work. This includes skills, education life experiences religious and cultural experiences.

3) **Organizational Diversity**

It relates to the characteristics within the workplace like job function, management status, employment status, union membership that create different perspective and experiences.

4) **Worldview Diversity**

The way different workers conceptualize world events, problems and solution is known as worldview diversity. This include political beliefs, moral values and social attitude.

- **Challenge of Diversity in Workplace**

  Businesses need to be aware of the human resource challenge that can come with having a workforce that is diverse in term of race, ethnicity gender etc.

- **The potential for conflict**: When people are from different background and have different perspectives, its is possible for them to clash.
- **The need of Training**: Employees need to be trained on how to work with people who are different from them.
- **Communication Barriers:** People from different background may not be able to understand each other, which can lead to misunderstanding.
- **The Risk Of Discrimination:** It is always the risk of discrimination when there is diverse workforce. Its harmful to employee and can lead to loss of productivity.
- **Cultural Misunderstanding:** Because people from different culture may not be familiar with the customers and traditions of others. This can lead to confusion and frustration.

Benefits Of Diversity In Workplace

- The ability to serve a diverse customer base increase.
- Increase creativity and productivity.
- A better representation of the community.
- Increased cultural awareness.
- Reduced employee turnover.
- Attract and retain top talent.
- Improved decision making.
- Better reputation.

- **Franchising**

Franchising is the practice of right to use a firm's business model and brand for a prescribed period of time. The word "franchise" is of Anglo-French derivation from France, meaning free.

Meaning

Arrangement where one party grants another party (The Franchisee) the right to use its trade name as well as certain business system and processes, to produce and market a good or service according to certain specification.

The franchisee usually pays a one – time franchise fees plus a percentage of sales revenue as royalty and gains.

1) Immediate name recognition.
2) Tried and tested products.
3) Detailed techniques in running and promoting the business.
4) On-going help in promoting and upgrading of the product.
5) Training of employee

6) Standard building design and decor.

The franchiser gains rapid expansion of business and earning at minimum capital outlay.

Franchising is one of the business strategies a company may use in capturing market share. It is marketing system for creating an image in the minds of current and future customers about how the company's product and service can help them. It is a method for distributing product and services that satisfy customer needs.

Franchising is a strategic alliance between group of people who have specific relationship with common objective to dominate market to get and keep more customers than their competitor's customers.

The business relationship is a joint commitment by all franchisee to get and keep customers legally you are bound to get and keep them using the prescribed marketing and operating system of the franchisor.

To be successful in franchising one must understand business and legal ramification of business relationship with the franchisor and all the franchises. The focus must be on working with other franchisees and company managers to market the brand, and use the operating system to get and keep customers.

Other franchisee and company operated units are no competition with each other. They and your business share the task of establishing the brand as dominate brand in all market entered and rain forcing the customer's familiarity with trust in brand. Other franchisee share with you quality, consistency, convenience.

As a franchisee you own the asset of your company, which you have choosen to invest in someone else's brand and operating system and on-going support. You own t he asset of your company, but you are licensed to operate someone else's business system.

Largest franchisee in world

1) Subway-41916 location worldwide in 2015
2) McDonald's-36,368 location in 2015
3) Great clip (hair salons)-3694 location
4) H&R Block (tax preparation)-10800 location
5) Dunkin' Donuts
6) Jani-king (commercial cleaning)

❖ **Legal Regulation In India**

India is one of the biggest franchising market because of its large middle class of 300 million who are not reticent about spending and because population is entrepreneurial in character. In highly diversified society, McDonald's success story despite its fare's differing from that of the rest of the world.

So far, franchise agreement are covered under two standard commercial laws: the contact Act 1872 and specific Relief Act 1963 which provide for both specific enforcement of convenants in a contact and remedies in the form of damages for breach of contract.

❖ **Outsourcing**

Outsourcing is the activity in which work of company given to outsider. In out sourcing firm's activities and decision responsibilities to external service provider. It allows a firm to focus on activities that reflect. Its core function and because of outsource firm reduce cost.

Many large firms are getting their H.R. activities done by outside suppliers and contractor P&G has signed a 10 year 400 million deal with IBM to handle employee service. At Nokia, expert monitoring, assimilation and culture building all other activities are outsourced. It has also been used to help reduce bureaucracy and to encourage a more responsive culture by introducing external market force into the firm through the bidding process.

Another reason of outsourcing is to increased efficiency and better service. Outsourcing has been used to obtain specialized expertise that is not available in firm.

Outsourcing has its negative side also, there is fear of losing jobs, and sensitive information may leak or another is ethical issue may arise.

❖ **E – Commerce**

E -commerce is the process of carrying out business online and electronically. It may include buying and selling stocks and bonds, selling a tangible product, buying goods and services for your company's operation or purchasing a dress. E-commerce covers the vast amount of business to consumer and business to business transactions taking place on the web with the help of internet.

Hence, in E-commerce every transaction and operation or work is done through computers play a topmost role in E-commerce may plays as the subordinate component or plays the

secondary role in E-commerce. In E-commerce truncations of all the documents are in the electronic forms and there is less usage of papers.

Traditional Commerce:

In traditional commerce all the business transactions are carried out by the individuals on a paper. Eg Preparing the bills, booking an order, maintaining accounts, writing the letters on papers and sending through postal courier services.

All the entries to be filled in by men only thus in traditional business all the routines are to be carried out by person of their own. Traditional business also depends on the geographical situation of a place and the time factor to. The big and attractive show-room and a luxurious office will have to be arranged.

❖ **Type Of E-commerce**

1) **B2C (Business to consumer)**

In B2c E-commerce the business transaction is carried out via internet between the business firm and the end user who is the consumer here we sells products or services directly to consumers. Ex. Of B2c are amazon.com, pets.com, auto byte.com etc.

2) **B2B (Business to Business)**

When a business transaction is carried out via internet between a manufacture and a supplier, its called B2B. Here the seller and buyer are both the businesses. Hence it is said that in B2B the customer is another business Ex. Alibaba, Microsoft, Oracle, Maruti Industries, Tata Motors, Bajaj auto Samsung Electronic etc. This help in reduction in sales expenses and customer services becomes more efficient and reduction in technical staff expenses.

3) C2B (Consumer to Business)

Consumer to business model, where consumer sell product or services to businesses. This is opposite of the traditional business B2C in C2B consumer fix price on their own which business accept or decline for ex. Priceline.com, Google Adsense and influencer marketing services enable bloggers and other web content, provides to sell advertising space to business another example is freelancer. Some challenges with C2B models include trust and reliability in online transaction, loss of privacy information etc.

4) C2C (Consumer to Consumer)

In C2C, the business transactions are between customer and customer. In this type of business model there is no business risk as that in the other business. There is also an online

auction site in C2C business ex. Ebay.com, OLX is almost similar to eBay OLX has made it so easy for people to buy sell and exchange new as well as used goods and services online.

5) B2G (Business to Government)

Business to government is an e-commerce model where a company sells products or services to government agencies, such as local state, country or federal agencies. B2G is similar to the business to administration model B2G companies bid on government contract which are typically announced through requests for proposal. Ex include engineering companies, electronic, machinery janitorial equipment etc. Here government is large, reliable customers but the process of selling to the government can be slow and involve a lot of paperwork.

6) G2B and G2C (Government to Business and Government to Consumer)

The services offered by the government to the businesses or the transaction of collecting taxes or revenue etc. Come under G2B type of business Eg. The government announces the notice for last date of filling the tax returns or last date of paying revenue hours can be saved by this facilities.

❖ **Advantages of E-commerce**

A) Benefits to companies or organization

1) Saving in expenses
2) No necessity for shops
3) No necessity of stock
4) Less investment
5) Global market
6) Enhancement in sale
7) New or modified product
8) Development of business
9) More goods and services provided

10) Knowing the taste of consumers.

B) Benefits to Consumers
1) Multiple choice
2) Economy in purchase
3) Saving of time
4) Best services
5) Foreign items

6) 24 Hours services
7) Exchange with consumers

C) Benefits to Community
1) Employment
2) Government revenue
3) Spread of education
4) Industrial and scientific progress
5) Upgradation of product

Limitation of E-commerce
1) Lack of personal contact
2) No opportunity of checking quality
3) Inexperienced seller
4) Confusion in selecting
5) Problems of returning goods
6) Negligence of quality and services
7) Less security of money

❖ **Technological Innovations:**

Technology innovation is defined as the creation and application of new or improved technologies, tools, systems and processes that bring about significant advancement. It involves harnessing knowledge, expertise and resources to develop innovative solution that solve problem, improve efficiency, drive progress.

1) Improved quality of life for individual and societies Ex. healthcare, communication education, transportation.
2) It fosters the development of new industries job creation and economic growth.
3) It enhanced efficiency and productivity.
4) It help in addressing societal challenges like enables the development of solution for poverty alleviation, environment sustainability agriculture technology etc.
5) It drives discoveries, enables research break though. Innovation in area such as artificial intelligence, space exploration, biotechnology push the boundaries.
6) Technology innovation empowers individuals and enhances user experiences.
7) It is crucial for achieving sustainable development goals. It enable renewable energy solution, environment friendly practice.

❖ Example of Technology Innovation

1) World Wide Web

Development of internet and World Wide Web revolutionized communication and information sharing. It enable global connectivity, transformed how access and share information and laid down foundation for E-commerce, social media etc.

2) Mobile Technology and Smart Phones

It brought about significant innovation emerging strategic innovation, it revolutionized communication by enabling portable, connected devices, internet browsing, GPS, navigation.

3) Cloud Computing

It transformed the way computing resources. It provided scalable and flexible infrastructure storage and service on demand.

4) Artificial Intelligence (AI)

At has witnessed remarkable innovation in recent years, leading to break thoughts in various domains.

a) Machine Learning:

Advance machine learning algorithms, such as deep learning, significant improvements in image recognition, data analysis.

b) Robotics:

Robotics and AI have brought about advancement in industrial automation, healthcare robotic, autonomous vehicles etc.

c) Virtual Assistants:

AI powered virtual assistants such as Apple's siri, Google Assistant and Amazon's alexa have become increasingly sophisticated providing natural language interactions personalized assistance.

5) 3D Printing

3D printing has transformed manufacturing and prototyping processes. It enables the creation of complex, customized objects by building them layer by layer using various materials cost saving and design possibilities.

6) Renewable Energy Technologies

In renewable energy, such as solar power, wind power and storage system, have transformed the energy landscape. It reduces climate change impact.

7) Internet of Thing

It has resulted in the proliferation of interconnected devices and smart system Ex. include smart homes, industrial lot etc.

❖ Government and Business Interface

The main goal of businesses is to make a profit and government's goal is to ensure economic stability and growth, for this government and organization or businesses always try to influence and persuade each other in many ways for various matters.

A balanced relationship between the government and business is required for the welfare of the economy and the nation.

Government influences the government by

- Laws and regulation: company law, partnership law
- Government agencies and regulatory body
- Central bank
- Trade policy

Business influences the government by

- Forming trade unions
- Large investment
- Political action

The government attempts to shape the business practices through both directly or indirectly implementing rules and regulation.

To implement legislation, the government generally creates special agencies to monitor and control certain aspect of business activity.

For example, environment protection agency handles central bank, food and drug administration, labour commission and much more.

Government sometime take an indirect approach to shaping the activities of business organizations. These are also done by Implementing laws or regulation but they are not always mandatory.

The government could give tax incentive to companies that have an environment friendly waste management system in production factory or tax incentives could be provided to companies that have establish their production facilities in a less developed region in the country.

However, this regulation and its implementation must be to an optimal degree.