A Textbook on

Evolution of Business

(Core Course)

Dr. Rajiv Jadhao

Dr. Smita Kalokar

Dr. Mukul Burghate

Amazon Kindle Publicising

Amazon Kindle Publicising

India & Worldwide

ISBN: 9798351953571

Syllabus

Unit 1 : Evolution of Business and Economy: Industrial revolution (1820-1850), Rise of European Business(1850-1900); Impact of First War on International Business; The great Depression and its effect on International Business; Impact of Second World War on International Business.....

Unit 2: Evolution of Business in Post WW-II Scenario: Cold War and its Impact on International Business; OPEC Crisis and its impact on International Business; Gulf War and its impact on International Business; Dawn of IT era and its impact on Business and Economy .....

Unit 3: Evolution of Indian Business: Indian Business: Changes and Styles; East India Company early Ventures in India; Development of Banks and Railways in India; Indian Economy and Business during WWI & WWII; Independence and Industrial Planning: 1947-1960; Origin and Evolution of PSU's ; Liberalisations of Indian Economy- 1990's .....

Unit 4: Industries: Role of Industries in Economic Development; Factors of Industrial Location- Raw materials, Power, Market, Transport and Communications, Land, Capital, Technology; Webers Theory of Industrial Location ; Iron and Steel Industry- India & USA; Cotton Textile Industry- India & USA; Engineering Industry in India- Major Industrial Regions of the Word and India .....

Preface

Modern trade and business are originated from the civilization of various stages of human beings. The basic needs of human beings are foods, clothes, medical treatment, education etc. To fulfil these needs men were involved with business from the early stage of civilization of human beings. The modern form of business comes from various stages of evolution.

It is in this context, a textbook on introduction to the subject of **Evolution of Business** is presented to the students of Management & Commerce program. The book contains the syllabus from basics of the subjects going into the complexities of the topics. All the concepts have been explained with relevant **examples and diagrams** to make it interesting for the readers.

However, it is implicit that these are exam-oriented Study Material and students are advised to attend **regular class room classes** in the Institute and utilize reference books available in **the library** for In-depth knowledge.

We owe to many websites and their free contents; we would like to specially acknowledge contents **of website of IGNOU www.egyankosh.ac.in, www.wikipedia.com** and **various authors** whose writings formed the basis for this book. We acknowledge our thanks to them.

At the end we would like to say that there is always a room for improvement in whatever we do. We would appreciate any suggestions regarding this study material from the readers so that the contents can be made more interesting and meaningful. Readers can email their queries and doubts to our authors on tmcnagpur@gmail.com**.**We shall be glad to help you immediately.

Authors: Dr. Rajiv Jadhao , Dr. Smita Kalokar & Dr. Mukul Burghate

Table of Contents

Unit 1 : Evolution of Business and Economy

Unit Outcome:

After reading this Unit you should be able to-

Relate the reasons of World War and its effect on global business environment.

Overview

Business is an economic activity consisting of production, distribution, exchange and auxiliary functions to satisfy the changing needs and demand of the customers to meet the economic goal of business. The business of present stage has been developed from the very beginning of human civilization. It has been evolved from self-sufficiency stage of modern technological stage. Industry and commerce is the two major components of business which is related to earning the profit and generating wealth.

Evolution of Business and Economy

The evolution of business can be studied into two parts:

1. **Evolution of Industry**
2. **Evolution of Commerce**

1. Evolution of Industry

As we know that, Industry includes all those activities that produce goods or services by the use of human and mechanical power. Agriculture development contributed a lot to develop the industry up to the present stage.

The development of industry can be explained through the following five stages:

a. **Handicraft Stage**
b. **Guild System**
c. **Domestic system**
d. **Industrial revolution**
e. **Present stage**

a. Handicraft stage

This is the beginning stage of the evolution of the industry. The process of production was simple and many machines were not used. They used local materials to produce handicraft products. At that time the only family was the unit of industrial organization. In the beginning, people were engaged in production only for the fulfilment of their requirement but later they started to produce excess products for the purpose of exchange with foods and other articles.

b. Guild system

The origin of the guild system marked the beginning of the organized activities. These organized groups were the groups of craftsmen or assistance or traders. Guilds may be classified into merchant guilds and craft guilds. Merchant guilds emerged as the association of merchants. It tries to regulate their business and standardize their products. Similarly, craft guilds emerged as the association of skilled workmen or artisans. It tries to maintain quantity and the quality of production. The main objective of craft and merchant guilds is to provide equal production to their members and protect their business interest by avoiding unhealthy competition among themselves.

c. Domestic system

After the concept of guild system was gradually declining, the domestic system started. At this stage, a smart person with an ability to take a risk (called entrepreneur) collected artisan and craftsmen and begin a job of production. They took responsibility for collecting resources and selling output to the market. He sells the product at the profit for his risk factor and investment. This is the beginning stage of the factory system of production.

d. Industrial revolution

The industrial revolution started in the 18th century from England. This revolution replaces the domestic system of production by large-scale factory system. The major inventions and discoveries of this stage were a steam engine, the wave machine, the textile machine, coal mining, energy development, and transportation system. This had made large-scale production easier. The cost of output was minimized.

e. Present stage

The present stage of industrial revolution is categorized by industrialization and globalization. The industrial revolution of the 18th century has brought massive change in production. The present stage is

categorized by an introduction of automatic machine, computer, automatic powers, space communication, wire, and the internet and much more. The scientific invention and discoveries have brought many changes in industrial production distribution. At this stage, products produce in one corner of the world is available in all countries.

2. Evolution of Commerce

In the earlier stage, people were self-dependent. They used to produce goods and service they need by themselves. The concept of commerce was developed gradually when people started to live in the river bank and engaged in agriculture farming. Those who were skilled in one activity and have resources produce certain products. The evolution of commerce and the stage of economic development is explained with the help of the following points:

a. **Self-sufficient Economy**
b. **Primitive Barter System**
c. **Money Economy**
d. **Town Economy**
e. **National Economy**
f. **International Economy**

a. Self-sufficient economy

At the beginning stage of commerce, people were self-dependent. Their needs were limited, people fulfilled their own needs by hunting and agriculture farming. At this stage of commercial development, there ware no system of exchange, people of that period didn't exchange their goods with others. Actually, there was not a concept of commerce.

b. Primitive barter system

This is the real beginning stage of commerce. At this stage, people started to exchange their surplus (extra) product with other product that they do not have. In the barter economy, people were not self-dependent in every product. At barter economy products were exchanged against the product. It is the age of commercial starting. The development of the barter system was the first practice of commerce.

c. Money economy

In this third stage of commerce evolution, money was introduced as a medium of exchange. People who have the surplus product used to sell the product in the market for money. In the beginning currency of shale, metal and other valuable materials were introduced. But later paper money was used for exchange.

Those people who need the product used to buy the product by paying money. As the result, the rapid change in commerce emerged.

d. Town economy

The reproduction of money as the medium of exchange has played a significant role in the development of a business. At this stage, people used to purchase the product from the different place and bring them to a specific place call row. Here traders from various locality came together to form the local market. The development of communication and strain deportation facilities has brought many changes in the promotion of business. The town became the center of commercial activity.

e. National economy

The gradual development of production and distribution lead to expansion and growth of a business. In this stage, people were concerned with the specific location for production. The development of supporting activities of a trade like communication, transportation, banking, insurance etc. had made commerce easier. The product produced at one location is distributed throughout the country.

f. International economy

The mass development of industry has led to the development of commerce at an international level. This is the current stage of commercial development. At present, no individual country is self-sufficient in every product. A country having resources in one product is engaged in the production of that product and imports other product from other countries. The development of a modern system of communication, net facilities, and modern transportation facilities like road, seas, air transportation has played an important role in the development of an international economy.

Stages in the evolution of business

Evolution of business means its origin, growth, and continuous development with expansion in various sectors that contribute and run economies.

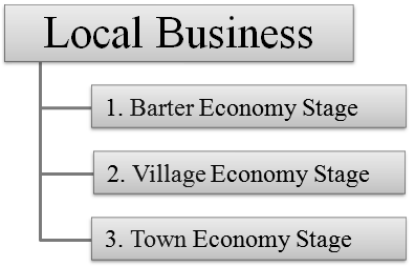
The business evolution went through many progressive stages or so called developmental steps. In each stage of progress, it evolved itself and got more mature than its previous state. It is evident that, at every step of evolution; it expanded its scale of operations and also widened its modes of communication. It is continuously evolving since then.

The five main stages in the evolution of a business are depicted below. The business evolution went from local stage to a global one:

1. **First,** the local business evolved from its three basic sub-stages, starting with a barter economy, then followed by the village economy and the town's economy.
2. **Secondly**, the regional business grew as a result of cooperation between different states.
3. T**hirdly**, the national business was an outcome of a business presence felt in the entire country.
4. **Then, international business** emerged as an answer to fulfill the scarcity of resources felt within each country.
5. **Finally,** an idea to see the entire world as one huge market was realized. This paved the way to form a new concept called global business. Now let's discuss in brief each of the above-mentioned main stages that contributed towards the evolution of business.

Stage 1. Local Business

Local business is the starting stage of the evolution of business. Business had its origin since the early ages of human civilization. It began with a mere sharing of food commodities. People use to collect and store whatever surplus they had and use to seek out something they didn't have. This situation was present in various areas around the world which later gave birth to a form of business in local areas.



The local area comprise of surrounding neighborhoods, adjacent areas where community of native people, mostly dwells, live, and remains active regularly.

In general, local business can be stated as various exchanges (trade) activities happening regularly among people of a local-area.

The three sub-stages of evolution of local business:

1. **Barter economy stage:**

In barter economy stage, money is not used as a medium of exchange. Here, goods are exchanged for goods.

Monetary transactions are absent in barter exchange. Here, the rate of exchange depends upon needs of both parties involved in a barter transaction. It is the barter system of trade that laid the very foundation of a business.

2. **Village economy stage:**

The village is a self-sufficient communal unit. Here, people usually live in harmony with each other and their environment by forming different cooperative social groups. The village economy is mainly supported and fueled by various agricultural activities.

Here, people satisfy each other's requirement by trading among themselves, their basic goods and services. However, in some special cases, even gold, silver, and copper are used for trading. When villagers started doing their businesses at a village level, it helped to form the world's first markets. In these small markets, the villagers exchanged or sold their surplus goods. This overall helps to transcend the economy from a barter stage to become a village economy.

3. **Town economy stage:**

Town is a meeting ground for the majority of villages. It is a place where people from different villages come together, interact and mingle. This heterogeneous interaction brings the influx of new cultures and traditions, ideas, and creates better opportunities. This attracts many new people, and development also start taking place to sustain the demands of incoming masses. This process gradually results in the formation of the town's economy.

Stage 2. Regional Business

Regional business is the second stage of evolution of business. In the context of this article, region is a huge landmass or an area that comprises of numerous town economies. When a business alliance of a town's economy from any specific region feels the need to extend the scope of their business, it results in business expansion at a regional level.

The meaning of regional business:

a. It is a business between different areas within a country.
b. It mainly includes the trade between various states, which are political divisions that make up a country.

c. Here, credit sales get more importance.
d. Better and economic infrastructure facilities, especially, transport and communication are required to develop it.

Stage 3. National Business

National business is the third stage of evolution of business. Nation is an organized political union of its member states.

The meaning of national business:

a. It is present in the entire country. In a practical sense, it is spread in the most parts of a country.
b. The business at a national level first started in England during the era of the Industrial Revolution. The joint-stock companies became very popular during this stage.
c. The size of it is always large when compared with the business done at a regional level.
d. It helps to make the availability of goods and services in the most parts of a country.

Stage 4. International Business

International business is the fourth stage of the evolution of business.

No nation is 100% self-sufficient with its all available resources. A nation may have an abundance of some resources but may also experience scarcity of other resources. To overcome this scarcity, nations often trade among themselves. They satisfy each other's needs by supplying their surpluses and/or expertise, and in return bring home, the scanty resources.

The meaning of international business:

a. It implies businesses conducted among or between different nations. Here, two or more countries do business with each other. It mainly consists of imports and exports. For example, crude oil-rich Gulf countries export their raw oil and in return import the scare food items.
b. This business is not a phenomenon of modern times. It has its origin in the ancient times. It began when merchants from different kingdoms started exploring remote parts of the old world in search of wealth and opportunities. For examples, European traders came to the

south-Asia via a new sea-route in search of cheaper spices, which were in huge demand in Europe.

c. It helps to improve friendly relations between different countries.
d. It also helps to improve the standard of living of the people.

Today, international business has increased many folds. It is so, mostly due to the availability of faster modes of communication and transport, regional cooperation between countries, and adaptation of free trade policies.

Stage 5. Global Business

Global business, is the current stage of evolution of business.

Global market is one big world level market. Here, the entire globe or world is considered as one huge market of opportunities. This market has the enormous levels of customer base than any other type of market. It has no borders and is almost restrictions free. All companies can sell their goods and services in this kind of one open global market. However, here, the competition is very severe. Large funds, skilled human resource, an ample amount of creativity and innovation, best quality of products and services, along with world-class logistics and marketing are required to sustain the tremendous pressures of its severity. Generally, this market is fully controlled by the rich cartels of multinational companies (MNCs).

The meaning of global business:

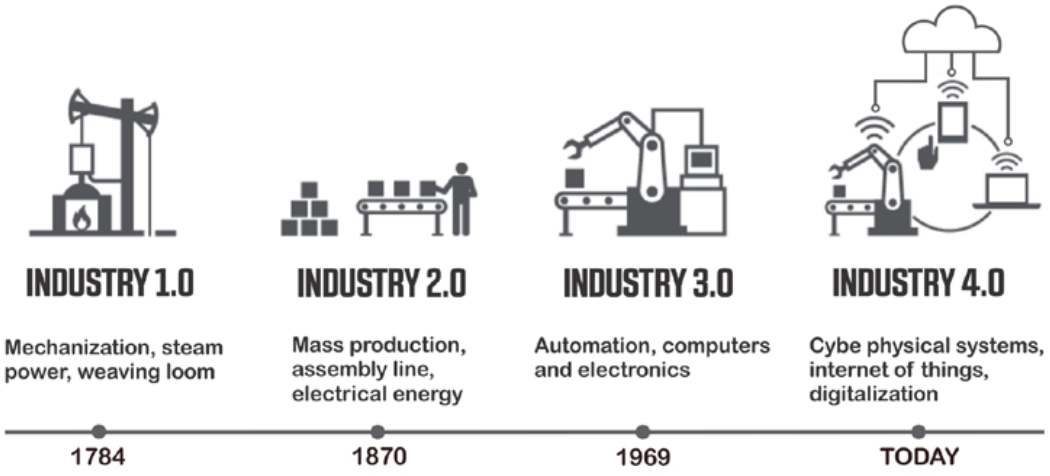
a. It is a business in one giant world-level market.
b. It is a new concept and is also referred as globalization.
c. India entered the world market and started its global business in the early 1990s. Since then its importance has increased in India.
d. It is the most current and latest mature stage the modern business has evolved into.

This is how business evolution took place, starting from its basic local level and arriving at a matured global stage.

Industrial revolution (1820-1850)

Introduction

Industrial Revolution, in modern history, the process of change from an agrarian and handicraft economy to one dominated by industry and machine manufacturing. These technological changes introduced novel ways of working and living and fundamentally transformed society. This process began in Britain in the 18th century and from there spread to other parts of the world. Although used earlier by French writers, the term Industrial Revolution was first popularized by the English economic historian Arnold Toynbee (1852–83) to describe Britain's economic development from 1760 to 1840. Since Toynbee's time the term has been more broadly applied as a process of economic transformation than as a period of time in a particular setting. This explains why some areas, such as China and India, did not begin their first industrial revolutions until the 20th century, while others, such as the United States and Western Europe, began undergoing "second" industrial revolutions by the late 19th century.



The Industrial Revolution began in England in the late 18th century, and spread during the 19th century to Belgium, Germany, Northern France, the United States, and Japan. Almost all areas of the world felt the effects of the Industrial Revolution because it divided the world into "have" and "have not" countries, with many of the latter being controlled by the former. England's lead in the Industrial Revolution translated into economic prowess and political power that allowed colonization of other lands, eventually building a worldwide British Empire.

Why Britain?

The Industrial Revolution helped England greatly increase its output of manufactured goods by substituting hand labour with machine labour. Economic growth in Britain was fuelled by a number of factors:

1. **An Agricultural Revolution -** The Industrial Revolution would not have been possible without a series of improvements in agriculture in England. Beginning in the early 1700s, wealthy landowners began to enlarge their farms through enclosure, or fencing or hedging large blocks of land for experiments with new techniques of farming. These scientific farmers improved crop rotation methods, which carefully controlled nutrients in the soil. They bred better livestock, and invented new machines, such as Jethro Tull's seed drill that more effectively planted seeds. The larger the farms and the better the production the fewer farmers were needed. Farmers pushed out of their jobs by enclosure either became tenant farmers or they moved to cities. Better nutrition boosted England's population, creating the first necessary component for the Industrial Revolution: labor.
2. **A technological revolution -** England also was the first to experience a technological revolution, a series of inventions built on the principles of mass production, mechanization, and interchangeable parts. Josiah Wedgwood developed a mold for pottery that replaced the potters wheel, making mass production of dishes possible. Many experimented with machinery to speed up human labor, and interchangeable parts meant that machines were more practical and easier to repair.
3. **Natural resources -** Britain had large and accessible supplies of coal and iron - two of the most important raw materials used to produce the goods for the early Industrial Revolution. Also available was water power to fuel the new machines, harbors for its merchant ships, and rivers for inland transportation.
4. **Economic strength -** During the previous era, Britain had already built many of the economic practices and structures necessary for economic expansion, as well as a middle class (the bourgeoisie) that had experience with trading and manufacturing goods. Banks were well established, and they provided loans for businessmen to invest in new machinery and expand their operations.
5. **Political stability -** Britain's political development during this period was fairly stable, with no major internal upheavals occurring. Although Britain took part in many wars during the 1700s, none of them took place on British soil, and its citizens did not seriously question the government's authority. By 1750 Parliament's power far exceeded that of the king, and its members passed laws that protected business and helped expansion.

Characteristics of the Industrial Revolution

The main features involved in the Industrial Revolution were technological, socioeconomic, and cultural. The technological changes included the following:

(1) the use of new basic materials, chiefly iron and steel,

(2) the use of new energy sources, including both fuels and motive power, such as coal, the steam engine, electricity, petroleum, and the internal-combustion engine,

(3) the invention of new machines, such as the spinning jenny and the power loom that permitted increased production with a smaller expenditure of human energy,

(4) a new organization of work known as the factory system, which entailed increased division of labour and specialization of function,

(5) important developments in transportation and communication, including the steam locomotive, steamship, automobile, airplane, telegraph, and radio, and

(6) the increasing application of science to industry. These technological changes made possible a tremendously increased use of natural resources and the mass production of manufactured goods.

There were also many new developments in non-industrial spheres, including the following:

(1) agricultural improvements that made possible the provision of food for a larger non-agricultural population,

(2) economic changes that resulted in a wider distribution of wealth, the decline of land as a source of wealth in the face of rising industrial production, and increased international trade,

(3) political changes reflecting the shift in economic power, as well as new state policies corresponding to the needs of an industrialized society,

(4) sweeping social changes, including the growth of cities, the development of working-class movements, and the emergence of new patterns of authority, and (5) cultural transformations of a broad order. Workers acquired new and distinctive skills, and their relation to their tasks shifted; instead of being craftsmen working with hand tools, they became machine operators, subject to factory discipline.

Finally, there was a psychological change: confidence in the ability to use resources and to master nature was heightened.

Important technological developments

The commencement of the Industrial Revolution is closely linked to a small number of innovations, beginning in the second half of the 18th century. **By the 1830s, the following gains had been made in important technologies:**

1. **Textiles –** mechanised cotton spinning powered by steam or water increased the output of a worker by a factor of around 500. The power loom increased the output of a worker by a factor of over 40. The cotton gin increased productivity of removing seed from cotton by a factor of 50. Large gains in productivity also occurred in spinning and weaving of wool and linen, but they were not as great as in cotton.
2. **Steam power –** the efficiency of steam engines increased so that they used between one-fifth and one-tenth as much fuel. The adaptation of stationary steam engines to rotary motion made them suitable for industrial uses. The high-pressure engine had a high power to weight ratio, making it suitable for transportation. Steam power underwent a rapid expansion after 1800.
3. **Iron making –** the substitution of coke for charcoal greatly lowered the fuel cost of pig iron and wrought iron production. Using coke also allowed larger blast furnaces, resulting in economies of scale. The steam engine began being used to power blast air (indirectly by pumping water to a waterwheel) in the mid 1750s, enabling a large increase in iron production by overcoming the limitation of water power. The cast iron blowing cylinder was first used in 1760. It was later improved by making it double acting, which allowed higher blast furnace temperatures. The puddling process produced a structural grade iron at a lower cost than the finery forge. The rolling mill was fifteen times faster than hammering wrought iron. Hot blast greatly increased fuel efficiency in iron production in the following decades.
4. **Invention of machine tools –** The first machine tools were invented. These included the screw cutting lathe, cylinder boring machine, and the milling machine. Machine tools made the economical manufacture of precision metal parts possible, although it took several decades to develop effective techniques.

New inventions

The earliest transformation of the Industrial Revolution was Britain's textile industry. In 1750 Britain already exported wool, linen, and cotton cloth, and the profits of cloth merchants were boosted by speeding up the process by which spinners and weavers made cloth. One invention led to another since none were useful if any part of the process was slower than the others. Some key inventions were:

1. **The flying shuttle -** John Kay's invention carried threads of yarn back and forth when the weaver pulled a handle, greatly increasing the weavers' productivity.
2. **The spinning jenny -** James Hargreaves' invention allowed one spinner to work eight threads at a time, increasing the output of spinners, allowing them to keep up with the weavers. Hargreaves named the machine for his daughter.
3. **The water frame -** Richard Arkwright's invention replaced the hand-driven spinning jenny with one powered by water power, increasing spinning productivity even more.
4. **The spinning mule -** In 1779, Samuel Crompton combined features of the spinning jenny and the water frame to produce the spinning mule. It made thread that was stronger, finer, and more consistent than that made by earlier machines. He followed this invention with the power loom that sped up the weaving process to match the new spinners.

These machines were bulky and expensive, so spinning and weaving could no longer be done at home. Wealthy textile merchants set up the machines in factories, and had the workers come to these places to do their work. At first the factories were set up near rivers and streams for water power, but other inventions later made this unnecessary. Before the late 1700s Britain's demand for cotton was met by India, but they increasingly came to depend on the American south, where plantation production was speeded by Eli Whitney's invention of the cotton gin, a machine that efficiently separated the cotton fiber from the seed. By 1810 southern plantations used slave labor to produce 85 million pounds of cotton, up from 1.5 million in 1790.

Changes in patterns of world trade

Industrialization greatly increased the economic, military, and political strength of the societies that embraced it. By and large, the countries that benefited from industrialization were the ones that had the necessary components of land, labor and capital, and often government support. However, even though many other countries tried to industrialize, few had much success. For example, India tried to develop jute and steel industries, but the entrepreneurs failed because they had no government support and little investment capital. An international division of labor resulted: people in industrialized countries produced

manufactured products, and people in less industrialized countries produced the raw materials necessary for that production. Industrial England, for example, needed cotton, so turned to India, Egypt, and the American south to produce it for them. In many cases this division of labor led to colonization of the non-industrialized areas. As industrialization increased, more iron and coal were needed, as well as other fibers for the textile industry, and the British Empire grew rapidly in order to meet these demands.

Many countries in Latin America, sub-Saharan Africa, south Asia, and Southeast Asia became highly dependent on one cash crop - such as sugar, cotton, and rubber - giving them the nickname of "Banana Republics." Such economies were very vulnerable to any change in the international market. Foreign investors owned and controlled the plantations that produced these crops, and most of the profits went to them. Very little of the profits actually improved the living conditions for people that lived in those areas, and since they had little money to spend, a market economy could not develop.

Despite the inequalities, the division of labor between people in countries that produced raw materials and those that produced manufactured goods increased the total volume of world trade. In turn, this increased volume led to better technology, which reinforced and fed the trade. Sea travel became much more efficient, with journeys that had once taken months or years reduced to days or weeks. By 1914 two great canals shortened sea journeys by thousands of miles. The Suez Canal built by the British and French in the 1850s linked the Mediterranean Sea to the Red Sea, making it no longer necessary to go around the tip of Africa to get from Europe to Asia by sea. The Panama Canal, completed in 1913, did a similar thing in the western hemisphere, cutting a swath through Central America that encouraged trade and transportation between the Atlantic and Pacific Oceans.

Rise of European Business (1850-1900)

Introduction

The 19th century was a revolutionary period for European history and a time of great transformation in all spheres of life. Human and civil rights, democracy and nationalism, industrialisation and free market systems, all ushered in a period of change and chance.

By the end of the century Europe had reached the peak of its global power. Social and national tensions as well as international rivalries festered however - all exploding in conflict at the beginning of the 20th century

The Industrial Revolution transformed economies that had been based on agriculture and handicrafts into economies based on large-scale industry, mechanized manufacturing, and the factory system. New machines, new power sources, and new ways of organizing work made existing industries more productive and efficient.

What were the major changes in the rising European Business?

1. **Political change**

The 19th century – an age of revolutions! Taking inspiration from the French Revolution of 1789, people across Europe challenged aristocratic ruling classes and fought for the development of civil and human rights, democracy and national independence.

Nationalism emerged as a revolutionary claim promising citizens more involvement in democracy, but it was exclusive, imagining a world of national territories inhabited by ethnically similar people. Some visionary Europeans, however, hoped for the unity of the continent beyond national allegiances.

2. **Markets and people**

Steam, smoke, factories, noise – all announced the beginning of the Industrial Revolution in Great Britain. To different degrees manufacturing then spread across Europe turning the continent into the world centre of industrialisation, finance and commerce. New technical innovations initiated industrial progress with steam power driving the development of heavy industry. Methods of production were totally transformed and large factories with thousands of workers mass produced industrial and consumer goods.

3. **Science and technology**

Speed, dynamism and a belief in progress defined Europe at the end of the 19th century. Railways, electricity, cinema, photography and new theories in science and medicine affirmed Europe's leading role in this technological coming of age. A time of optimism beckoned.

The arrival of the age of railways demonstrated Europe's advance as an assured technological world leader. Industrialisation expanded and long-distance travel became possible across all social classes.

4. **Imperialism**

The 19th century witnessed a globally dominant Europe. Empires expanded, colonies amassed – all pushed energetically forward by the Industrial Revolution. Colonies provided the raw materials and luxury commodities to meet rising consumer demand, in return promising vast markets for European products.

Abuse and inequality were excused as a necessary part of 'civilising' savage peoples. The gradual ending of slavery was followed by new forms of intolerance and racism.

By 1914 European countries ruled about 30 % of the world's population. Europe had been involved in overseas exploration and trade for centuries, but the benefits of the Industrial Revolution enabled Europe to tighten its grip on other continents.

Impact of First War on International Business

Introduction

The first world war, you should remember, was the outcome of a chain of events taking place in Europe, as well as in other parts of the world during the last two or three decades of the nineteenth century. You will find out in these pages that it was not merely a war but an event which made a tremendous impact on the world scene. It dismantled quite a number of the existing socio-economic and political structures. Our main objective here is to farniliarise you both with the main causes of the war and its more important consequences.

What Were the Effects and impacts of WWI?

WWI impacted life in various ways. Many cities and towns were destroyed. Many families were displaced and lost their homes. There were also around 20 million deaths, both military and civilian. 21 million more people were wounded. The outcome of WWI was the victory of the Entente (Russia left the war after the revolution that broke out in 1917, and the US joined the fight). The Alliance was defeated. Germany was the country that suffered the worst of the consequences of WWI. They were blamed by the winners for the atrocities of the war and forced to pay for the damages. The consequences of WWI were economic, political, and social. They extended for years beyond the end of the war and affected all countries involved.

What economic impact did the First World War have on India?

Although not a direct participant, India could not, however, escape the effect of the war. The world war affected the Indian society and economy very profoundly. But it is important to note that the war had a different impact on different section of the population. Among the poorer class of Indians it meant increased misery and impoverishment. It also brought heavy taxation on the people. War demands created a scarcity

of agricultural products as well as other daily necessities of life. As a result there was a phenomenal increase in their prices. Driven to desperation the people became ready to join any movement against the government. Consequently the war years also became years of intense nationalist political agitation. Soon India was to witness a massive mass movement, called the Non-Cooperation Movement, led by Gandhi, about which you will learn in a subsequent unit. On the other hand the war brought fortunes for the industrialists. It created an economic crisis in Britain and for the war demand they had to depend on Indian industries. Jute industry, for example, flourished in this period. In this way the war promoted the industrial advance of India. The Indian industrialist took the maximum advantage of the opportunities offered. They made fortunes and wanted to preserve it, even after the war came to an end. For this reason they were prepared to organise themselves and support the organised nationalist movement. Thus, the war helped in bringing about a wave of nationalism among various section of the population, although through different processes. India's independent economic advance also began to take shape, which was to grow in years.

The First World War had the following economic impact on India:

(i) In order to meet a huge rise in defense expenditure, the government increased taxes on individual incomes and business profits.

(ii) Increased military expenditure and the demands for war supplies led to a sharp rise in prices which created great difficulties for the common people.

(iii) The war created a demand for industrial goods like jute bags, cloth, rail, etc. and caused a decline in imports from other countries into India.

(iv) Indian industries expanded during the war and Indian business groups began to demand greater opportunities for development.

(v) Business groups reaped fabulous profits from the war.

The great Depression and its effect on International Business

Introduction

Great Depression, worldwide economic downturn that began in 1929 and lasted until about 1941. It was the longest and most severe depression ever experienced by the industrialized Western world, sparking fundamental changes in economic institutions, macroeconomic policy, and economic theory. Although it originated in the United States, the Great Depression caused drastic declines in output, severe unemployment, and acute deflation in almost every country of the world. Its social and cultural

effects were no less staggering, especially in the United States, where the Great Depression represented the harshest adversity faced by Americans since the Civil War.

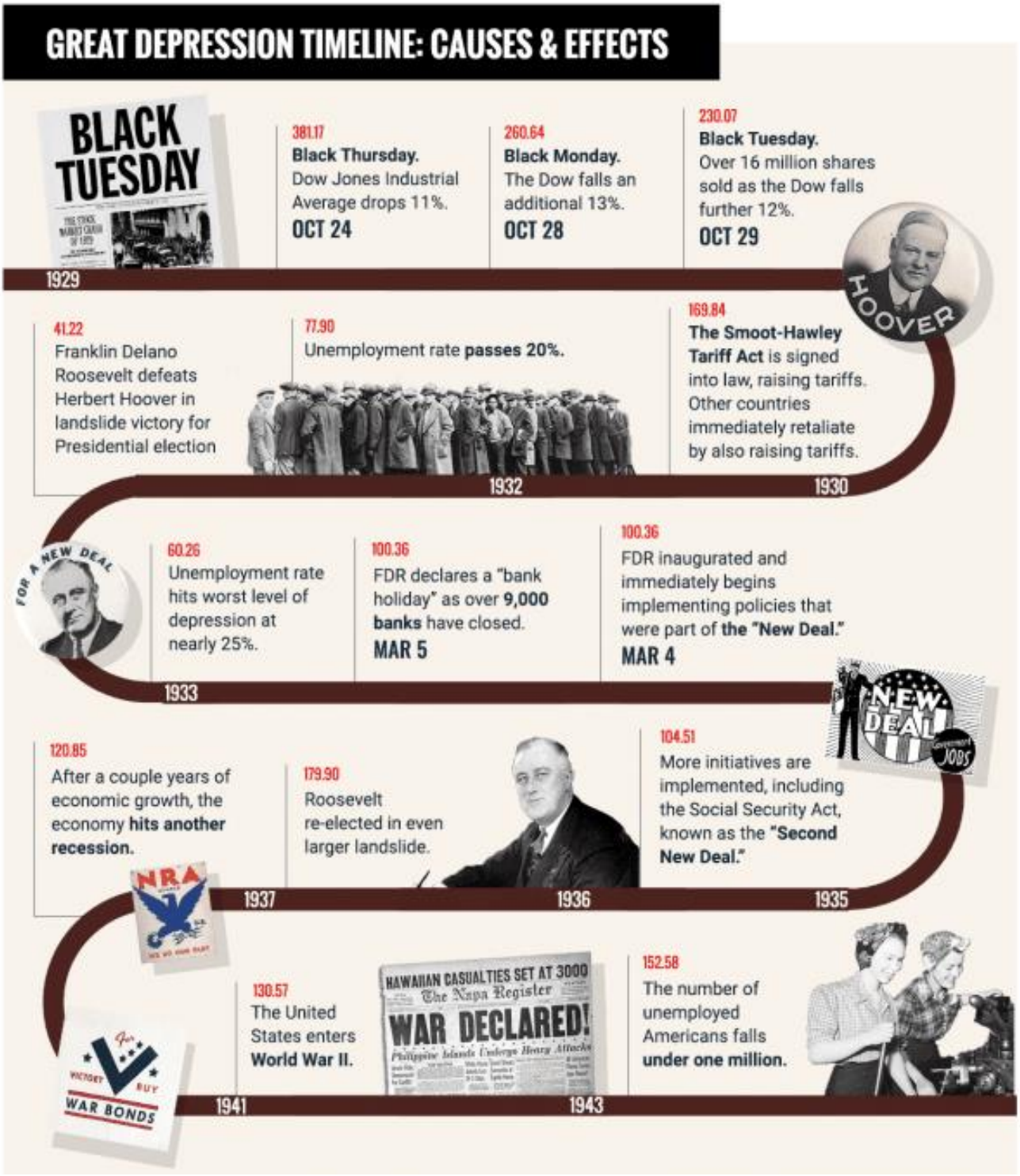
What was the Great Depression?

The Great Depression, which began in the United States in 1929 and spread worldwide, was the longest and most severe economic downturn in modern history. It was marked by steep declines in industrial production and in prices (deflation), mass unemployment, banking panics, and sharp increases in rates of poverty and homelessness.

The term "Great Depression" refers to the greatest and longest economic recession in modern world history. The Great Depression ran between 1929 and 1941, which was the same year that the United States entered World War II in 1941. This period was accentuated by a number of economic contractions, including the stock market crash of 1929 and banking panics that occurred in 1930 and 1931.

What were the causes of the Great Depression?

Four factors played roles of varying importance. (1) The stock market crash of 1929 shattered confidence in the American economy, resulting in sharp reductions in spending and investment. (2) Banking panics in the early 1930s caused many banks to fail, decreasing the pool of money available for loans. (3) The gold standard required foreign central banks to raise interest rates to counteract trade imbalances with the United



States, depressing spending and investment in those countries. (4) The Smoot-Hawley Tariff Act (1930) imposed steep tariffs on many industrial and agricultural goods, inviting retaliatory measures that ultimately reduced output and caused global trade to contract.

Whom did the Great Depression affect?

Nearly everyone was affected by the Great Depression, but they weren't all impacted to the same degree. Many people lost their job, but even those who didn't experienced some negative effects from the reduced levels of investment and economic growth. For example, if a neighborhood bank failed, then it became harder to take out a mortgage or small business loan. The effects were felt globally, as well, and many countries experienced similar economic declines.

Economists and historians often cite the Great Depression as one of the largest—if not the most—catastrophic economic events of the 20th century.

What were the immediate effects of the Great Depression?

The stock market crash in 1929 was swift and severe. It rippled throughout the financial community, and banks started to fail. That slowed economic growth, reduced business activity, and increased the unemployment rate. As the effects rippled, it took longer to gauge the full impact of the Great Depression. For example, it took four years for the unemployment rate to peak.

How did the Great Depression affect the American economy?

In the United States, where the Depression was generally worst, industrial production between 1929 and 1933 fell by nearly 47 percent, gross domestic product (GDP) declined by 30 percent, and unemployment reached more than 20 percent. Because of banking panics, 20 percent of banks in existence in 1930 had failed by 1933.

How did the United States and other countries recover from the Great Depression?

Three factors played roles of varying importance. (1) Abandonment of the gold standard and currency devaluation enabled some countries to increase their money supplies, which spurred spending, lending, and investment. (2) Fiscal expansion in the form of increased government spending on jobs and other social

welfare programs, notably the New Deal in the United States, arguably stimulated production by increasing aggregate demand. (3) In the United States, greatly increased military spending in the years before the country's entry into World War II helped to reduce unemployment to below its pre-Depression level by 1942, again increasing aggregate demand.

When did the Great Depression end?

In most affected countries, the Great Depression was technically over by 1933, meaning that by then their economies had started to recover. Most did not experience full recovery until the late 1930s or early 1940s, however. The United States is generally thought to have fully recovered from the Great Depression by about 1939.

Impact of Second World War on International Business

Introduction

World War II ended the practice of developed nations trying to conquer each other, as the free-trade revolution spread across the globe.

In Asia, Japan controlled the Korean peninsula and began waging an increasingly brutal war against China in 1937. In 1939, Germany invaded Poland, an act that would spiral into World War II. Together, these two members of the Axis Powers embarked on a war of aggression and conquest, driven partly by a desire to control natural resources. In 1941, Germany invaded the Soviet Union to get "free" oil, and Japan controlled much of Asia as part of its "Greater East Asia Co-Prosperity Sphere." The Allied Powers managed to liberate these areas after years of total war. This war spending created an economic boom in the United States, caused the British Empire to crumble, turned the Soviet Union into a second superpower, and began the Free Trade revolution.

The following are the Impact of Second World War on International Business

1. The Outbreak of World War II: Deficit Spending and Low Unemployment

World War II began in earnest in 1939 after Adolf Hitler invaded Poland on September 1 and France in May 1940. Shockingly, France was conquered in only six weeks, leaving Britain alone in Europe to stand against Germany and Italy. Afraid of a potential German invasion of the British Isles themselves, the United Kingdom embarked on a full mobilization of all defensive resources. In September 1940, the U.S. began

sending military aid to Britain, and later on the USSR after it was invaded by Germany, as part of the Lend-Lease arrangement.

Under President Franklin D. Roosevelt, who won an unprecedented third term in 1940, the U.S. military had begun to modernize and grow as tensions in Europe and Asia mounted. Though not unusual given the recent elevated federal spending under the New Deal (1933-39), this proactive spending was unusual given that it was still technically peacetime for the United States. Historically, most nations only maintained small militaries during peacetime and then mobilized once hostilities occurred.

After the Japanese attack on the U.S. naval base at Pearl Harbor, Hawaii, America entered World War II on December 7, 1941, America entered World War II. Joining the Allied Powers, the U.S. added its military muscle to fight both Germany and Japan. Just as importantly, American industry joined the fight and transformed almost overnight from producing consumer goods for civilians to military goods. The Allied Powers in Europe – Britain, the Soviet Union, and the United States – engaged immediately in full mobilization at the outbreak of war, meaning transferring all capital, labor, and energy from civilian use to military use if possible. Using bonds, these nations could borrow money and spend beyond their tax revenue, a practice known as deficit spending, and drastically increase industrial production.

The importance of full mobilization in warfare is seen in Germany, the aggressor, who failed to do so quickly. Japan, contrary to the popular stereotype of fanatical loyalty to the emperor and country, struggled with ramping up domestic support for the war effort. Economically, therefore, it does not pay to be the aggressor and try to insulate one's civilians from the harsh necessities of total war, such as rationing. When you are attacked, your people are willing to ration out of patriotism, but this is much less likely when there is no need to defend oneself.

Unemployment in the United States virtually disappeared during World War II, falling from over 14 percent in 1939 to just over 1 percent in 1944. Ultimately, this elevated defense spending definitively ended the Great Depression by guaranteeing a job for just about every willing worker. For the first time, women joined the labor force in large numbers in order to keep factories running as men were drafted or volunteered for the war. However, this was only popular among the Allies – the Axis Powers were slower to allow women to take on industrial work.

The sudden addition of women to the workforce allowed for unprecedented levels of production and spending. The Allied Powers swiftly overtook the Axis Powers in terms of industrial production, and this

is largely credited to their victory. Very quickly, it was apparent that Germany, Italy, and Japan could not as easily replace ships, planes, and tanks that were being destroyed in battle. Britain, the Soviet Union, and the United States, by contrast, were able to churn out equipment rapidly, shifting the balance of power by the end of 1942.

2. Industrial Might Wins World War II

It should be no surprise that the victors in World War II were the nations that could produce the most capital goods. Although Germany was known for its technological innovations such as the jet fighter, heavy tank, and assault rifle, these had little effect on the industrial might that the U.S. and Soviet Union unleashed on either side. Similarly, despite the feared fanaticism of its soldiers, Japan rapidly lost industrial capacity as the U.S. drew within bombing range in the Pacific Ocean and could destroy factories. By late in the war, neither Germany nor Japan could maintain industrial production, especially of fuel.

Germany and Italy were defeated, slowly and painfully, on land as the Allies ground from town to town. On May 8, 1945, Germany surrendered unconditionally, and VE Day – Victory in Europe Day – was declared. On September 2 of that year, Japan surrendered unconditionally, and V-J Day – Victory of Japan Day – was declared. On this historic date, World War II was officially over. Japan surrendered before any Allied troops landed on the shores of the "home islands," and historians have debated whether it was the U.S. dropping the atomic bombs on Hiroshima and Nagasaki, the invasion of Japanese territory in China by the Soviet Union, or other factors that convinced the Japanese to surrender.

3. Free Trade Wins After World War II

Tariffs were popular in the early 1930s as nations attempted to raise revenue from other nation's exports to their citizens during the Great Depression. Unfortunately, they quickly discovered that almost all tariffs were reciprocal, meaning that nations whose companies had to pay tariffs retaliated in kind. The United States, which passed the Smoot-Hawley Tariff Act in 1930, swiftly faced retaliatory tariffs from other countries. This resulted in a death spiral for international trade and contributed to the economic woes that influenced the beginning of World War II.

Additionally, Germany and Japan discovered that it was not cheaper to conquer foreign territory to gain its natural resources. The land-grab and use of forced labor by Germany and Japan were simply not competitive with free workers in the Allied countries. Forced laborers were treated poorly and would attempt to escape or even sabotage the efforts of their captors. Hundreds of thousands of soldiers were

needed to control this labour, and there were plenty of casualties from freedom fighters and civilian resistance.

To promote economic growth and ensure that nations no longer felt the need to procure resources by force, the General Agreement on Tariffs and Trade (GATT) was created in 1947. In the 1990s, this evolved into the World Trade Organization (WTO). GATT helped promote free trade by creating uniform rules for international trade and reducing trade barriers like tariffs, quotas, and embargoes. Free trade economists believe that all consumers and most producers benefit from reduced transaction costs enjoyed by no tariffs or quotas on imports. After World War II, international trade increased dramatically.

The post-World War II collapse of the British Empire, and later collapse of French colonialism, were direct results of the war and helped expand free trade further. Like India and Algeria, newly independent countries were now free to make trade agreements with nations other than their colonial masters. The end of the colonial era in the 1950s and 1960s helped cement the importance of free trade – anyone could import and export from anyone.

4. Post-World War II Baby Boom and Consumer Spending

Coming immediately on the heels of the Great Depression, World War II and its necessitated rationing meant Americans had spent many years without generous consumer spending. With the economy stimulated by wartime spending, including post-war GI Bill benefits, citizens were ready to celebrate the new peacetime by opening their pocketbooks. An age of consumerism began in the late 1940s, with families purchasing new cars, refrigerators, and other expensive appliances.

This elevated consumer spending continued by necessity as the result of a baby boom. The "Baby Boomers" were the generation born between 1946 and 1964. More babies were born in 1946 than any previous year in U.S. history, resulting in millions of young men returning from the war. Simultaneously, millions of women left their wartime factory jobs and returned to the domestic sphere. Millions of new nuclear families resulted, and they spent lots of money on their children. These "Boomers" carried these spending habits into adulthood and lavished on their own kids, the Millennials (1981-1996). World War II, therefore, can be credited with creating the modern, consumer-centric incarnation of the classic American childhood.

Short and Long Essay type Questions for Self-Assessment:

1. Explain how Business and Economy as Evolved over the period of time?
2. Did the Industrial Revolution improve life?
3. What if Industrial Revolution never happened?
4. What was the social question during the Industrial Revolution?
5. Who benefited from Industrial Revolution?
6. What were the 3 main ideas of the Industrial Revolution?
7. What was Industrial revolution (1820-1850)? How did it changed the landscape of Business and Industry?
8. What were the factors that lead to the Rise of European Business in the year 1850-1900?
9. How did the First World War Impacted International Business?
10. How did World War 1 impact people's lives?
11. What was the biggest impact on starting World War 1?
12. What economic impact did the First World war have on India?
13. What was the great Depression and its effect on International Business?
14. How did life change during the Great Depression?
15. How did the government respond to the Great Depression under each president?
16. What were the conditions like for the working classes during the Great Depression?
17. How did workers respond to the conditions of the Great Depression?
18. What was life like for factory workers and farmers during the Depression?
19. What was the Impact of Second World War on International Business

Scan the below **QR codes** for Free Open Access Resources for MCQ's & Video etc. on

Unit 1 : Evolution of Business and Economy

Video on Industrial Revolution	**Audio Guide on History of Europe**
Video on Evolution of Business	**MCQs on Industrial Revolution**
Video on the great depression	**MCQs on World War**

Unit 2: Evolution of Business in Post WW-II Scenario

Unit Outcome:

After reading this Unit you should be able to understand and follow: -

The Student will be able to describe Cold war and OPEC crises on International Business

Introduction

World War II brought about untold changes not just to Europe but the entire world. This period marked a cultural and economic shift, and the recovery from that shift echoes to this day.

Economically, the period after the end of World War II was a time for moving from the industry of creation for the purpose of destruction and into the industry of creation for creation's sake, resulting in an attitude of exploring new technologies and business models previously unheard of.

In Europe, this shift is most clearly illustrated by the change in the gross domestic product (GDP) in the years immediately following the war.

Post-War Economies

Even during wartime, American output steadily grew, as the physical damage done to the country was limited to Hawaii and some overseas military bases. This allowed Americans to buckle down and work on bolstering industry rather than having to focus on rebuilding what was lost.

Conversely, many countries in Europe suffered extensive damage to buildings and infrastructure, so the end of the war was a time for intensive rehabilitation.

However, the end of the war also marked the beginning of a period of expansive growth for Europe and other nations. For the second half of the 20th century, the United States, Europe, and Japan experienced amazing gains. In fact, GDP per capita in Europe tripled in the second half of the twentieth century following the war. America used its footing post-war to become a global superpower.

How It Happened?

One of the theories behind what allowed such prolific growth in a region ravaged by war is that the end of World War II and the instability of the previous decades presented Europe with the opportunity for catch-up growth. Since the years between World War I and World War II were rife with global economic

instability, Europe had not had time to implement many of the advancements pioneered in the U.S. and elsewhere.

Where Americans were developing new technologies such as nylon and Teflon and making important advancements in areas such as the automotive industry, many Europeans were still heating their homes with coal. Basically, the nonstop turmoil of the pre-war years left little time for advancement on the continent. However, once the war ended, all these new technologies and advancements in business and industry became available to economies newly able and ready to embrace them.

People who worked in wartime as soldiers and nurses now needed jobs, and American advancement during the preceding years provided the perfect blueprint for how to use this newly available workforce. This and other factors contributed to an upswing in the GDP of Europe that persisted well into the 1970s.

Cold War and its Impact on International Business

Introduction

The First World War (1914-18) ended with the birth of a new system, the socialist system in the world. The war also sowed the seeds of another world war. These two developments have conditioned the subsequent decades in a big way. In 1939 the Second World War broke out. The Second World War was fought between the two blocs-the Allied powers and the Axis powers. The socialist bloc joined the Allies. The Allies won the war. The war ended with the destruction of the old capitalist imperialist

dominated world. The world now was divided into two blocs-Western or capitalist bloc, headed by the neo-colonialist power, the United States of America (USA) and the Socialist bloc headed by the Union of Soviet Socialist Republics (USSR). The USA and the USSR emerged as the two super powers. The Two blocs represented two contradictory systems. Conflict between them was inevitable. The conflict was turned into Cold War because the world meanwhile experienced a qualitative change. At the end of the Second World War, a world body named United Organisation (UN) I was founded to make the world safe for peace. The two superpowers acquired highly I sophisticated destructive weapons. Europe became dependent upon the USA. Decolonialization became the reality. Above all world public opinion disfavoured any world-wide holocaust. But these developments failed to stop the local or civil wars in different countries and to refrain the two superpowers from tension ridden competition for establishing supremacy over the world. The hostile competition turned into Cold war.

Meaning

The term "Cold War" is of recent origin. It has been in use since the Second World War for denoting the non-military hostility between the United States of America (USA) and the former Soviet Union. In course of time it has been used as a concept in international relations. The term Cold War means a state of hostility between nations without actual fighting (i.e. non-military hostility). The concept stands for struggle for supremacy waged by the nations or states through propaganda, economic measures, political manoeuvres, etc. Nations or states, engaged in Cold War do not go for actual war (military action). It is a state of cut-throat competition, but the competing parties remain far away from armed conflict between them. It was a conflict between two ideologies: **Capitalism vs. Socialism.**

5 Key Cold War Events

The Cold War shook the foundation of the world, as it was the first time that large-scale nuclear warfare became a truly realistic threat. Spanning approximately 45 years between 1947 and 1991, wherein no direct battles were fought, the Cold War was a period of intense geopolitical tension between the United States and the Soviet Union. By deeply delving into the most critical events of the dispute, historians can develop a better understanding of the Cold War's extensive conflict.

1. Containment of Russia

At the end of World War II, the majority of American leadership was in agreement that the most viable approach against the political and militaristic expansion of the Soviet Union was to implement a containment strategy that would help keep the Soviet expansion in check and protect Western democratic

values. American diplomat, George Kennan, described this strategy as "a political force committed fanatically to the belief that with the United States, there can be no permanent modus vivendi [agreement between parties that disagree]"; concluding that America had only one option to proceed, "long-term, patient but firm and vigilant containment of Russian expansive tendencies." In 1947, President Harry Truman made the containment of the Soviet Union a top priority, laying the groundwork for the Cold War by introducing domestic policies that centered on undermining communism in the United States. Such action helped set the tone for the next four decades of United States foreign policy.

2. Arms Race Between the United States & Russia

Under the umbrella goal of containing Soviet Russia's military capacity, the United States began manufacturing armaments at an excessive rate, rationalizing the production of these arms as necessary to ward off potential conflict. American officials recommended that the United States develop and deploy atomic weapons in an effort to keep Soviet doctrines and policies from expanding unchecked throughout Europe and the world, and to highlight to the Soviets that there would be dire consequences if they continued their expansionist policies. The U.S.'s containment efforts—which focused on a blend of increased arms production, ramped up militarism and displays of force throughout the world, the continued promise of mutually assured destruction by nuclear weapons, and the containment of Soviet-supported, communist political movements outside the Soviet Union—led to the American defense budget quadrupling.

Not only were small arms, aircraft, ships, and land-based military vehicles being produced en masse, the containment and arms race-related policies employed by the U.S. also jumpstarted a nuclear arms race, as the Soviet Union and the U.S. tried to outdo one another by creating more powerful and increasingly sophisticated nuclear weapons. The arms race culminated in an effort to develop nuclear weapons similar to the atom bombs dropped at Hiroshima and Nagasaki, which brought a violent end to World War II. The Soviet Union recognized the immense military value of having atomic weapons and went on to develop their own atomic bombs in 1949. To maintain their perceived superiority and suppress Soviet attempts at becoming a global leader, the United States began production of an even more devastating weapon: the hydrogen bomb.

3. Development of the Hydrogen Bomb

The development of the hydrogen bomb is a widely discussed topic, as there were many conflicting spheres of influence involved with its production within the political, social, and scientific communities. Some

scientists, like Edward Teller, were proponents of the production of a super-bomb, while others were extremely opposed to the idea. While anti-communist tensions were at a moderate baseline in the early years of the Cold War, the period of time encompassing the race to develop a functional hydrogen bomb set the precedent for the rising tensions of the Cold War as it escalated throughout the 20th century.

The first successful detonation of an American-made hydrogen device occurred on November 1, 1952, in the Pacific region on the Enewetak Atoll in the Marshall Islands. This test involved the deployment of 10.4-megaton apparatus nicknamed Mike, and the resulting explosion was a visible example of just how justified the rising level of public fear and anxiety towards hydrogen weapons had been. The blast decimated nearby islands, leaving behind a crater more than a mile wide and creating a virulent mushroom cloud that was an approximate 100 miles wide and 25 miles high. Following this test, the Soviet Union then rushed to develop hydrogen bomb technology. With the implementation of the hydrogen bomb, the Cold War was in full swing, as the American and Soviet governments—along with their respective citizens—became entirely fixated on the growing threat of thermonuclear conflict.

4. Space exploration

The Cold War also resulted in a technological competition between the Soviets and the U.S. as the two nations vied against one another to achieve space supremacy. On October 4, 1957, this space-race began when a Soviet satellite named Sputnik was launched into orbit using an intercontinental ballistic missile. The launch of Sputnik represented the ever-growing power of the Soviet Union and highlighted that the U.S. was starting to fall behind in the technology-driven space race. Additionally, Sputnik showcased the power of Soviet missiles, which had effectively demonstrated the capability of delivering nuclear payloads into orbit, and possibly onto American soil.

In response, the United States Army launched Explorer I into space on January 1, 1958. This satellite was designed by scientist Wernher von Braun, a pioneer in modern rocket science, and it led to the creation of the National Aeronautics and Space Administration (NASA) by President Dwight Eisenhower. Even with this launch of the American satellite, the Soviets remained in the lead, managing to launch the first manned space mission in April 1961. Eight years later, Neil Armstrong became the first man to walk on the surface of the moon, claiming American victory in the space race. The space race highlights a period of the Cold War where both the Soviet Union and the U.S. aimed to boost the morale of their citizens by showcasing their technological innovations.

5. Fall of the Berlin Wall

Built in 1961, the Berlin Wall was designed by the Communist government of the German Democratic Republic as a means of curtailing the flow of East German migrants into democratic West Germany. This

almost 100-mile long fortified line of watchtowers, concrete barricades, and trenches effectively split Berlin in two. The Berlin Wall became a potent symbol of the Iron Curtain—the ideological and physical divide that separated the democratic West from the communist East during the Cold War. Though, as the 1960s came to a close, communist power began its decline, as during this time the United States began accelerating towards becoming the world's first completely unparalleled superpower.

When President Richard Nixon took office in 1969, the American approach to international relations began to switch in favor of diplomacy. For instance, the United States went on to establish diplomatic relations with communist China. The United States also drafted and signed the Strategic Arms Limitation Treaty with the Soviets in 1972 and 1979, a treaty that placed limitations on the manufacture of nuclear weapons by both parties, partially eliminating the perceived threat of global thermonuclear warfare. While Ronald Reagan battled communism in Central America and across the world, economic problems rooted in the Cold War caused Soviet influence to wane in Europe, and by 1989, most communist nations had transitioned to non-communist forms of government. In November of 1989, the Berlin Wall, a famous symbol of communism throughout the world, was demolished by Berlin natives who were given permission to cross the border on November 9, 1989. By October 3, 1990, East and West Germany reunified. In the wake of these events, the Cold War gradually slowed to a halt, finally ending with the dissolution of the Soviet Union in 1991.

By exploring the decisive moments of the Cold War—ranging from the start of the space race to the development of the hydrogen bomb—world history scholars can develop a keen understanding of not only the Cold War but also how this geopolitical conflict impacted world history as a whole. Though the Cold War is often portrayed as a conflict-free engagement that resulted in a few casualties, the reality is that this power struggle nearly brought the world to the brink of nuclear destruction. Fortunately, the American government tapped into all of its available resources to lead the country to victory, without deploying any nuclear weaponry.

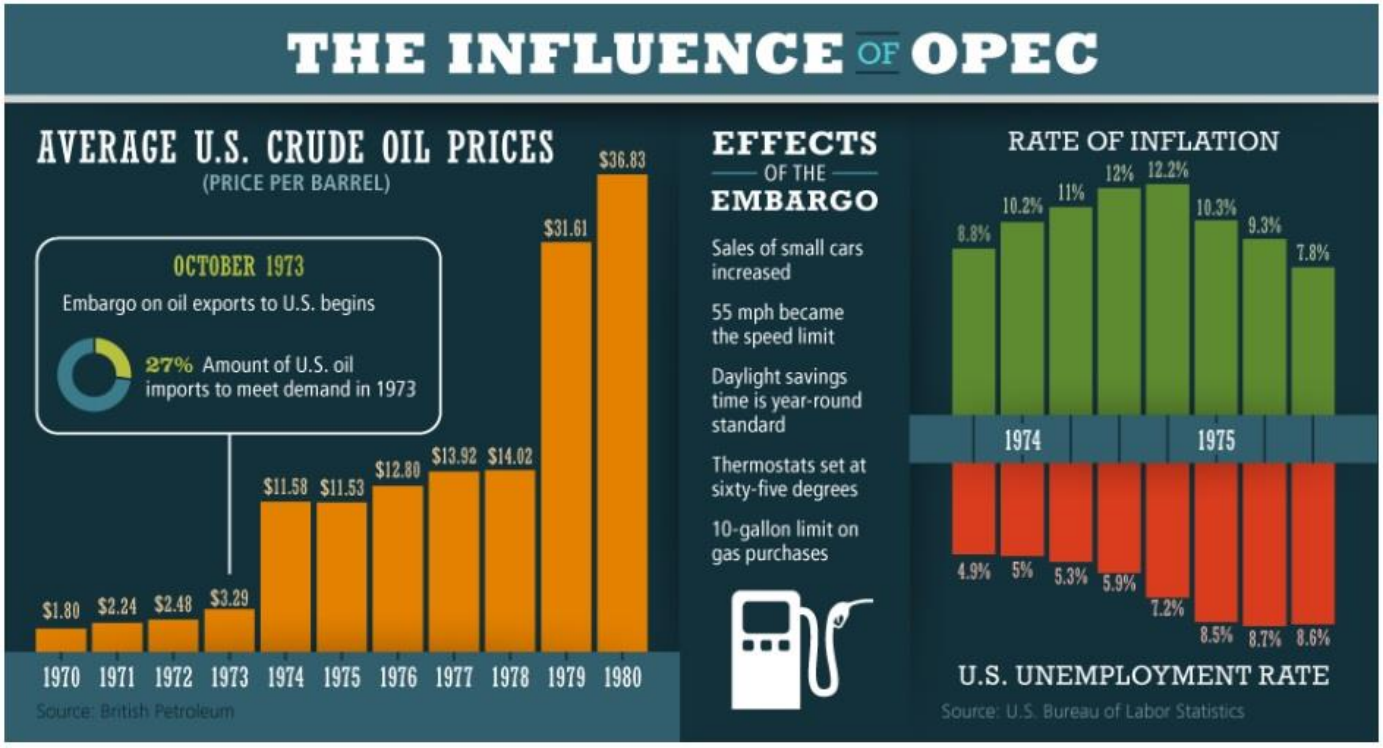
OPEC Crisis and its impact on International Business

Introduction

The 1973 oil crisis or first oil crisis began in October 1973 when the members of the Organization of Arab Petroleum Exporting Countries (OAPEC), led by Saudi Arabia, proclaimed an oil embargo. The embargo was targeted at nations that had supported Israel during the Yom Kippur War. The initial nations targeted

were Canada, Japan, the Netherlands, the United Kingdom and the United States, though the embargo also later extended to Portugal, Rhodesia and South Africa. By the end of the embargo in March 1974, the price of oil had risen nearly 300%, from US$3 per barrel ($19/m3) to nearly $12 per barrel ($75/m3) globally; US prices were significantly higher. **The embargo caused an oil crisis, or "shock", with many short- and long-term effects on global politics and the global economy. It was later called the "first oil shock", followed by the 1979 oil crisis, termed the "second oil shock".**

The Organization of the Petroleum Exporting Countries (OPEC) oil embargo was a decision to stop exporting oil to the United States. On Oct. 19, 1973, the 12 OPEC members agreed to the embargo. Over the next six months, oil prices quadrupled. Prices remained at higher levels even after the embargo ended in March 1974.



Since the embargo, OPEC has continued to use its influence to manage oil prices. As of 2022, OPEC produces about 40% of the world's oil supply and controls 60% of oil exports. In 2018, OPEC countries retained 79.4% of the world's proven oil reserves.

Causes of the 1973 Oil Crisis

Two actions by the U.S. administration caused OPEC to launch the oil embargo: when Nixon took the U.S. off the gold standard and when the U.S. ordered military aid to Israel during its conflict with Egypt and Syria.

1. Leaving the Gold Standard

In 1971, President Richard Nixon prompted the embargo when he decided to take the United States off the gold standard. As a result, countries could no longer redeem U.S. dollars in their foreign exchange reserves for gold. With this action, Nixon went against the 1944 Bretton Woods Agreement, which pegged the dollar to the price of gold. His move sent the price of gold skyrocketing. The history of the gold standard reveals this was inevitable. But Nixon's action was so sudden and unexpected that it also sent the value of the dollar down.

The plummeting value of the dollar hurt OPEC countries. They depend on the petrodollar for their government revenues. Their oil contracts were priced in U.S. dollars. That meant their revenue fell along with the dollar. The cost of imports that were denominated in other currencies stayed the same or rose. OPEC even tried pricing oil in gold, instead of dollars, to keep revenue from disappearing.

2. Military Aid for Israel

On Oct. 19, 1973, Nixon requested $2.2 billion from Congress in emergency military aid for Israel. The Arab members of OPEC responded by halting oil exports to the United States and other Israeli allies. Egypt, Syria, and Israel declared a truce on Oct. 25, 1973. OPEC continued the embargo until March 1974. By then, oil prices had skyrocketed from $2.90 per barrel to $11.65 per barrel.

Effects of the 1973 Oil Crisis

The effects of the embargo were immediate. OPEC forced oil companies to increase payments drastically. The price of oil quadrupled by 1974 from US$3 to nearly US$12 per 42 gallon barrel ($75 per cubic meter), equivalent in 2018 dollars to a price rise from $17 to $61 per barrel.

The crisis eased when the embargo was lifted in March 1974 after negotiations at the Washington Oil Summit, but the effects lingered throughout the 1970s. The dollar price of energy increased again the following year, amid the weakening competitive position of the dollar in world markets.

The Arab oil embargo ended the long period of prosperity in the West that had begun in 1945, throwing the world's economy into the steepest economic contraction since the Great Depression.

Lacey wrote about the impact of the Arab oil embargo of 1973-74 that for people in the West life suddenly become "slower, darker and chiller" as gasoline was rationed, the lights were turned off in Times Square, the "gas guzzler" automobiles stopped selling, speed limits became common and restrictions were placed

on weekend driving in a bid to conserve fuel. American automobile industry specialized in producing heavy "gas guzzler" vehicles, there was an immediate shift on the part of consumers to the lighter and more fuel efficient vehicles produced by the Japanese and West German automobile industries, sending the American automobile industry into decline. The years from 1945 to 1973 had been a period of unprecedented prosperity in the West, a "long summer" that many believed would never end, and its abrupt end in 1973 as the oil embargo which increased the price of oil by 400% within a matter of days threw the world's economy into a sharp recession with unemployment mounting and inflation raging came as a profound shock.

The oil embargo is widely blamed for causing the 1973-1975 recession. U.S. government policies helped cause the recession and the stagflation that accompanied it. They included Nixon's wage-price controls and the Federal Reserve's stop-go monetary policy.

1. **Lost Jobs**

Wage-price controls forced companies to keep wages high, which meant businesses laid off workers to reduce costs. At the same time, they couldn't lower prices to stimulate demand. It had fallen when people lost their jobs.

2. **High Prices**

To make matters worse, the Fed raised and lowered interest rates so many times that businesses were unable to plan for the future. As a result, companies kept prices high which worsened inflation. They were afraid to hire new workers, worsening the recession.

Fed officials learned through the history of U.S recessions that they had to manage businesses' expectations of inflation. Since then, Fed officials have been consistent in their actions. More importantly, they clearly signal their intentions well ahead of time.

3. **Lower Consumer Confidence**

The oil embargo aggravated inflation by raising oil prices. It came at a vulnerable time for the U.S. economy. Domestic oil producers were running at full capacity. They were unable to produce more oil to make up the slack. Furthermore, non-OPEC oil production had declined as a percentage of world output.

It also worsened the recession. First, higher gas prices meant consumers had less money to spend on other goods and services. This lowered demand. It also weakened consumer confidence. People were forced to change habits, making it feel like a crisis that the government tried unsuccessfully to resolve. This lack of confidence made people spend less.

For example, drivers were forced to wait in lines that often snaked around the block. They woke up before dawn or waited until dusk to avoid the lines. Gas stations posted color-coded signs: green when gas was

available, yellow when it was rationed, and red when it was gone. States introduced odd-even rationing: drivers with license plates ending with odd numbers could get gas on odd-numbered days.

4. Impact on United States

In the US production, distribution and price disruptions "have been held responsible for recessions, periods of excessive inflation, reduced productivity, and lower economic growth." Some researchers regard the 1973 "oil price shock" and the accompanying 1973–74 stock market crash as the first discrete event since the Great Depression to have a persistent effect on the US economy.

The embargo had a negative influence on the US economy by causing immediate demands to address the threats to U.S. energy security. On an international level, the price increases changed competitive positions in many industries, such as automobiles. Macroeconomic problems consisted of both inflationary and deflationary impacts. The embargo left oil companies searching for new ways to increase oil supplies, even in rugged terrain such as the Arctic. Finding oil and developing new fields usually required five to 10 years before significant production.

5. Impact on Western Europe

The embargo was not uniform across Western Europe. The UK, Germany, Italy, Switzerland and Norway banned flying, driving and boating on Sundays. Sweden rationed gasoline and heating oil. The Netherlands imposed prison sentences for those who used more than their ration of electricity. Of the nine members of the European Economic Community (EEC), the Netherlands faced a complete embargo. By contrast Britain and France received almost uninterrupted supplies. That was their reward for refusing to allow the US to use their airfields and stopping arms and supplies to both the Arabs and the Israelis. The other six EEC nations faced partial cutbacks.

6. Impact on United Kingdom

Despite facing little direct effect from the embargo, the UK nonetheless faced an energy crisis of its own—a series of strikes by coal miners and railroad workers over the winter of 1973–74 became a major factor in the defeat of Edward Heath's Conservative government in February 1974 general elections. The new Labour government told the British to heat only one room in their houses over the winter.

7. Impact on Japan

Japan was hard hit since it imported 90% of its oil from the Middle East. It had a stockpile good for 55 days, and another 20-day supply was en route. Facing its most serious crisis since 1945 the government ordered

a 10% cut in the consumption of industrial oil and electricity. In December it ordered an immediate 20% cut in oil use and electric power to Japan's major industries, and cutbacks in leisure automobile usage. Economist predicted the growth rate would plunge from 5% annually down to zero or even negative territory. Inflation hit 9%. Seeking to take advantage of the crisis, Japanese business called on the government to relax its controls on air pollution and water pollution. The government refused. Moscow tried to take advantage by promising energy assistance if Japan returned the Kurile Islands. Tokyo refused. Instead it made $3.3 billion of dollars in loans to the Arab states and called on Israel to step back. Japan's defensive strategy was explained to Kissinger when he met with top leaders in Tokyo in November 1973. In the long run Japan never wavered in its determination to maintain very strong close ties to the United States, while in self-defense briefly providing the Arab powers with the rhetoric they demanded in return for resuming oil shipments in early 1974.

How Oil Prices Have Changed Since the Crisis

A review of the history of oil prices reveals they've never been the same since the 1973 oil crisis. The chart below tracks both nominal and inflation-adjusted oil prices since 1946. During the OPEC oil embargo, inflation-adjusted oil prices went up from $27.17 per barrel (bbl) in October 1973 to $60.81 per barrel (bbl) in March 1974.

The oil embargo gave OPEC new power to achieve its goal of managing the world's oil supply and keeping prices stable. By raising and lowering supply, OPEC tries to stabilize the price of oil. If the price drops too low, they would be selling their finite commodity too cheap. If too high, the development of shale oil would look attractive.

Gulf War and its impact on International Business

Introduction

Saudi political leadership was challenged when Iraq, after having rejected attempted Saudi mediation, reasserted its earlier claims and invaded neighbouring Kuwait on August 2, 1990, precipitating the Persian Gulf War (1990–91). The Kuwaiti government fled to Saudi Arabia, and King Fahd denounced the Iraqi invaders. Fearing that Pres. Saddam Hussein of Iraq might invade Saudi Arabia next (despite Saudi assistance to Iraq during the Iran-Iraq War), the Saudis, breaking with tradition, invited the United States and other countries to send troops to protect the kingdom. This was done after Fahd had received the approbation of the kingdom’s highest-ranking religious official, Sheikh ʿAbd al-ʿAzīz ibn Bāz, who

agreed that non-Muslims could defend Islam's holiest places. By mid-November the United States had sent 230,000 troops, which were the most important part of the coalition force that ultimately included soldiers from many other countries. The Saudis adroitly coordinated Arab and Muslim contingents and also established diplomatic ties with China, the Soviet Union, and, later, Iran. King Fahd expanded his goal beyond the protection of Saudi Arabia to include the liberation of Kuwait and, if possible, the overthrow of Saddam Hussein.

Causes of the Gulf War

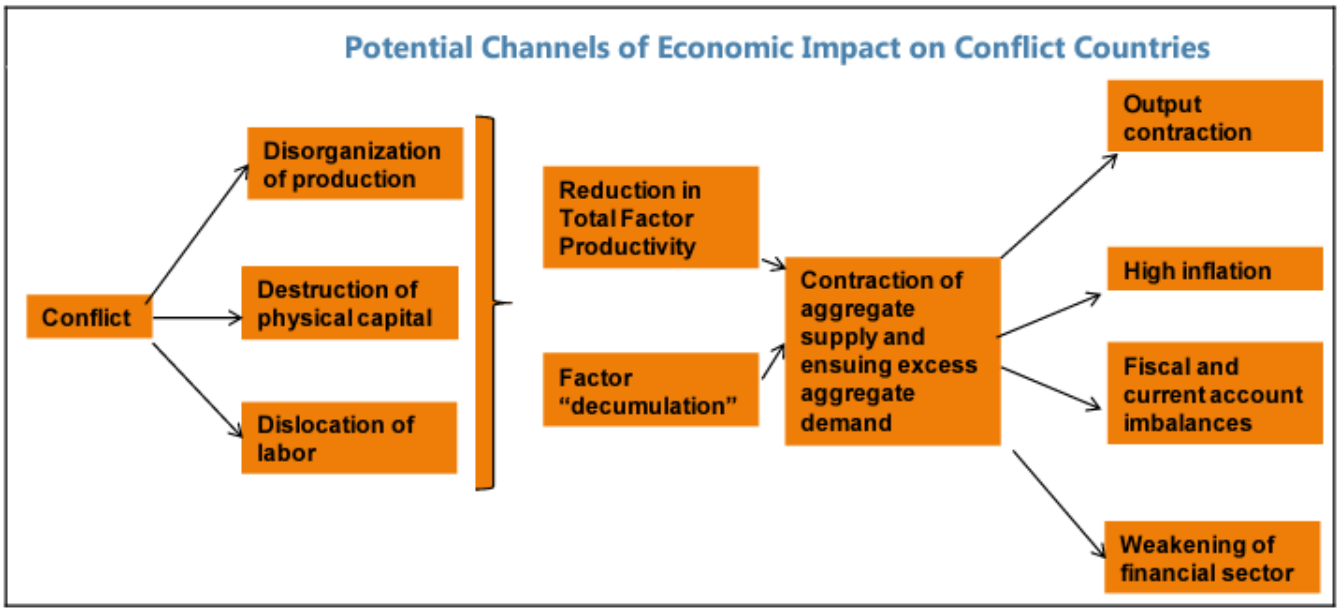
The causes of the Gulf War actually started when Iraq was at war with Iran. During this war Iran was not only attacking Iraq but also attacking oil tankers from Kuwait at sea too. To support the ending of the war, Kuwait financially aided Iraq by lending the country 14 Billion US Dollars. Iraq tried to convince Kuwait to dissolve the debt, since Iraq had done Kuwait a favor in the being of the war with Iran, Kuwait declined and this caused a rift between the two countries. For a year they tried to resolve the financial situation but to no avail.

The next step was for Iraq to ask all OPEC members to reduce oil production so the price of crude oil would increase allowing Iraq to pay off the debt. With the other countries in OPEC in support of Kuwait, it was agreed to do the opposite and asked to increase its quota by fifty percent, much to the dissatisfaction of Iraq. Iraq then started alleging that Kuwait was drilling in a diagonal manner into Iraq Rumaila oil field territory over the border; meaning Kuwait was stealing Iraq's oil rather their own. Saddam Hussein decided that he had no other option but military so he decided to station troops on the border of Iraq and Kuwait, and in early August invade Kuwait. As the Iraqi forces invaded and took over Kuwait they set fire to hundreds of Kuwaiti oil fields on the way.

After invading Kuwait the UN declared Iraq's actions as invalid and economic sanctions were put in place. By November Iraq was still in control of Kuwait so the UN drew up Resolution 678 in which Iraq had until midnight on January 15th 1991 to leave otherwise military intervention could be used On 16th January Iraqi forces were still in Kuwait and a coalition force made up of 34 countries headed by America took up the challenge and started Operation Desert Storm which in turn ended up being the beginning of the Gulf War. The conflicts in Lebanon, Kuwait, and Iraq impacted the countries' respective economies through multiple channels. The conflicts led to a contraction in aggregate supply through the disorganization of production,

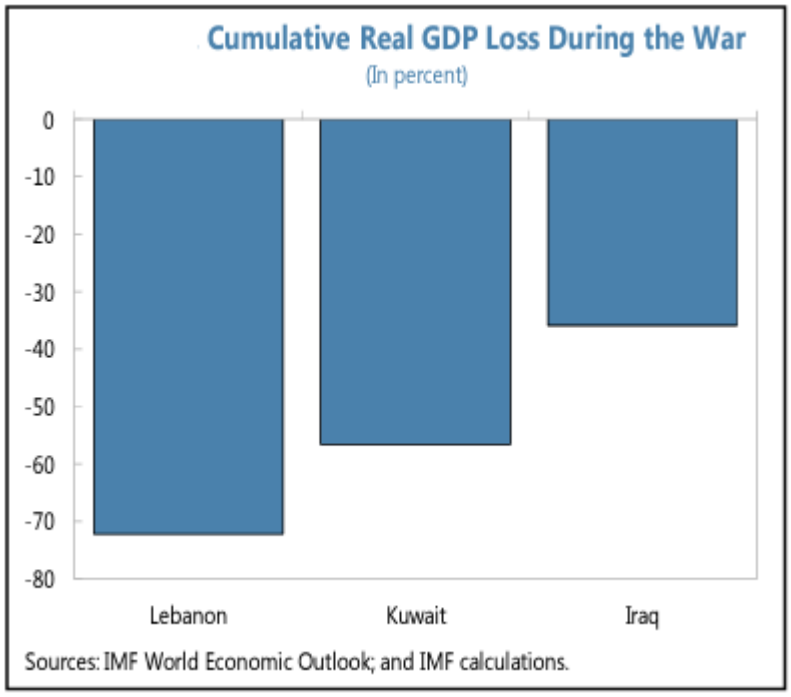
destruction of physical capital, and dislocation of labor. From a growth accounting perspective, this meant both a reduction in total factor productivity—because economic efficiency was compromised and technology absorption was interrupted—and a dwindling of physical as well as human capital.

This was manifested in a contraction of output, acceleration of inflation, large fiscal and current account deficits, a loss of reserves, as well as weaker financial systems.



1. **Growth:** The contraction in real GDP varied significantly across countries. Lebanon's real GDP declined sharply, by more than 70 percent during the civil war. Given the long duration of the war in Lebanon, real GDP fluctuated significantly according to the intensity of the conflict, with some years showing positive growth. Kuwait and Iraq, the two oil producers, saw also large declines in output with significant damage to their oil sectors and a fall in oil production. Kuwait saw a decline of about 55 percent in its real GDP in 1991 from its pre-war level of 1989, while Iraq's real GDP contracted by about 35 percent in 2003.
2. **Inflation and exchange rate:** Inflation picked up with varying degrees across countries. Lebanon and Iraq already had high inflation rates in their pre-war year, and inflation rates jumped further during the war. In Lebanon, the consequent rapid growth in liquidity (associated with the banking sector's financing of the deficits) compared with economic activity, and the erosion of private sector confidence, led to continuous pressures on the Lebanese pound, which was floating since 1952, heightened inflationary pressures, and resulted in high levels of currency

substitution. Only Lebanon experienced a striking depreciation of the exchange rate and a sizable acceleration in inflation, both reaching about 485 percent (y-o-y) in 1987. At the same time, deposit dollarization increased to about 90 percent in 1987 from 23 percent in 1974, prior to the war. In Iraq, as a result of supply disruptions caused by the war, inflation increased to 34 percent during 2003 from 19 percent in 2002. Although inflation in Kuwait also increased, it was lower than in the other countries reviewed here probably due to its peg to a currency basket and its tradition of low inflation. Kuwait and Iraq, on the other hand, did not experience a significant movement in their exchange rates during the war. Kuwait had large foreign reserves to support its currency and Iraq faced significant liquidity shortage during the war.



3. **Fiscal sector:** The war led to a worsening in the fiscal stance in all three countries. The absence of a central government authority compromised revenue collection capacity, leading to a deterioration in Lebanon's fiscal stance and its ability to provide public services. In Kuwait, war-related factors contributed to revenue shortfalls, rising public spending, and high deficit levels during 1990/91–1991/92, aggravated by significant foreign reserves draw-downs. In particular, the war led to a collapse in oil exports and other revenue sources during 1990/91. After liberation, the authorities waived import duties and most fees and charges. A large part of the expenditure increase during this period was due to transfers abroad—for payments related to Desert Shield/Desert Storm and to Kuwaiti citizens temporarily living abroad. In Iraq, the 2003 conflict made it difficult to evaluate fiscal policy for the year as a whole. There are no data

available on public debt for the war years in any of the countries analyzed, although Iraq already suffered from a crippling debt burden.

4. **External sector:** Current account balances deteriorated in the countries under review as a result of the conflicts. The current account in Lebanon posted deficits during most of the war years. Capital flight and a substantial emigration of workers contributed to the deterioration in Lebanon's external accounts, further aggravated by a reduced access to foreign financing. As a result, gross reserves declined. Kuwait also ran a significantly large current account deficit in 1991. There are no data on the current account in Iraq but at the beginning of the 2003 conflict, close to $1 billion in foreign currency was taken out of the Central Bank of Iraq's (CBI) vaults, but most of this was subsequently recovered and used to finance government operations. Gross international reserves of the CBI were reported to be about $1.1 billion by end-2003 (about 1.2 months of imports of goods and services).
5. **Financial sector:** The conflicts generally led to significant disruptions in the financial sectors of the affected countries. For instance, Lebanon's banking system was significantly weakened during the conflict, greatly diminishing its prior role as a regional financial intermediary. In Kuwait, the banking system already weak prior to the invasion due to the stock market crash in 1982—which left banks with a large volume of nonperforming loans— was further aggravated by the war. Some key financial sector developments in Kuwait during this period included: (i) severe disruption of financial contracts; (ii) destruction of assets serving as collateral; (iii) looting of banking system assets; (iv) looting of gold holdings and unissued currency of the Central Bank of Kuwait; (v) collapse in the value of real estate and financial assets; and (vi) some disruption to financial records, mitigated by the transfer of information abroad. In Iraq, the financial sector was dominated by two large state-owned banks, which suffered liquidity and solvency problems because most of their assets were in treasury bills or in loans to state-owned enterprises.

Dawn of IT era and its impact on Business and Economy

Introduction

In economics, it is widely accepted that technology is the key driver of economic growth of countries, regions and cities. Technological progress allows for the more efficient production of more and better goods and services, which is what prosperity depends on.

The IT sector in India today outsources software services across the world and because of the economic reforms in 1991 and the various liberalisation acts introduced by the subsequent Governments helped the IT sector in India grow immensely. The IT sector has provided employment to more than 30 lakh Indians and has become a source of income for more than 2 crore Indians indirectly. Because of the IT sector, Indian middle class has attained an important status and standard of living has increased considerably in India because of the IT revolution.

What is Technology?

Technology is any application that is engineered or created using applied science/math to solve a problem within a society. This can be agricultural technologies, such as with ancient civilizations, or computational technologies in more recent times. Technology can encompass ancient technologies such as the calculator, compass, calendar, battery, ships, or chariots, or modern technology, such as computers, robots, tablets, printers, and fax machines. The technology of the future includes advanced Block chain technologies, smart cities, more advanced smart devices, quantum computers, quantum encryption, and advanced Artificial Intelligence.

Information technology is the single most important element in the success and growth of international trade and job market growth, allowing businesses to share information and conduct trade in less time than the blink of an eye.

What Does Information Technology (IT) Mean?

Information technology (IT) is the use of computers to create, process, store, retrieve, and exchange all kinds of data and information. IT is typically used within the context of business operations as opposed to personal or entertainment technologies.

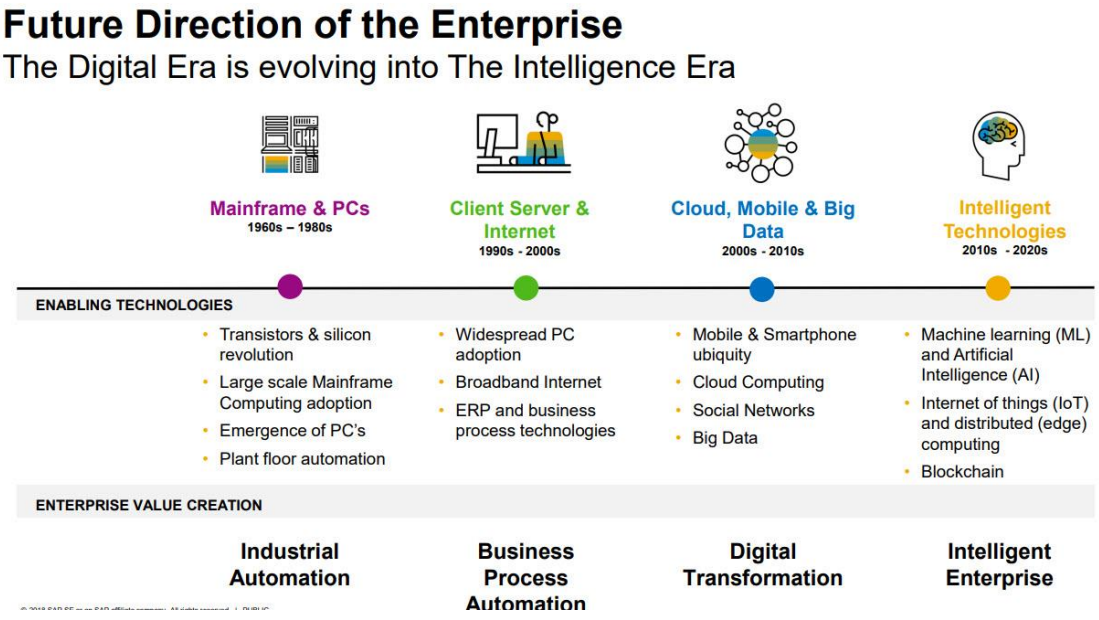
IT forms part of information and communications technology (ICT). An information technology system (IT system) is generally an information system, a communications system, or, more specifically speaking, a computer system — including all hardware, software, and peripheral equipment — operated by a limited group of IT users.

How has Technology Affected Human Life?

Ultimately, technology has positively affected human life from antiquity until now by solving problems associated with everyday life, and making it easier for different tasks to be completed. Technology has made it easier to farm, more feasible to build cities, and more convenient to travel, among many other things, effectively linking together all countries on earth, helping to create globalization, and making it easier for economies to grow and for companies to do business. Virtually every facet of human life can be carried out in an easier, more effective, and quicker fashion via technological solutions, resulting in less problems in one way, and more problems in another.

IT and its impact on Business and Economy

Around one hundred and fifty years ago, businesses ran their day to day operations completely different from what businesses of the modern era do to run their day to day operations. People back then worked under candle light doing math calculations on paper, the old fashion way, before electricity came about in the early 20th century. Now, most of the civilized world wouldn't know what to do with themselves without technology. Imagine not even having a calculator for math or the internet to do research.



The advances in communication combined with the evolution of the IT industry has made it possible for people to do business throughout the world in real time. Improvements in IT improve our lifestyles and business by allowing computers to reduce complications and enrich possibilities.

These days, the name "Information Technology" has managed to encompass many aspects of computer technologies invented in the past couple decades.

These IT spectrums can be covered in many types of professional fields such as Management Information Systems, Computer Networking, and Software Design. Our ancestors couldn't even fathom what our society has accomplished.

In medicine, Information Technology also plays a substantial roll. Doctors take pictures with machines like a computerized axial tomography (CAT) or magnetic resonance imaging (MRI) and can print out three dimensional images of bones, muscles, and organs. These images can help map out patient's problems and help save lives. This day and age, it is difficult to find a field or industry that IT has not been greatly affected. IT is completely responsible for how organized our civilization has become. The corporate world was only made possible by the communication information technology has put in place between both computer software and hardware. From a personal stand point, it would be difficult for most people to name a single person doesn't use the internet on a regular basis.

With the increasing new technologies coming out every day, employees in the Information Technology work force must constantly re-educate themselves with all the new technologies. This makes IT a very demanding field as it is always developing and perfecting. The process of improvement is what makes this such a desirable aspect to almost any business. It is very important for anyone in the IT field to always stay up to date with all newly developing technologies that relate to their industry. IT is now the complete backbone to almost any business and its ability to be competitive and efficient.

Positive Impact of Information technology on Business and Economy

While technology has had several less-than-desired impacts on society as a whole, there are potentially more positive impacts on society than negative impacts. Such impacts have made life easier for multitudes, and have gifted many with the resources, education and tools needed to live a better life. Such impacts have greatly affected agriculture, transportation, communication, and the education sectors within societies globally.

1. Mechanization of Agriculture

Ancient agricultural practices have seen a radical change with the mechanization of agriculture. Such mechanization simply means that machines and technological systems (including robots) have replaced ancient farming systems such as work animals and manual labor. This has resulted in more automated, highly efficient farm practices, producing far more abundant food resources for more people.

2. **Improvement of Transportation**

While it is still possible to walk to most places on earth, the advent of trains, buses, cars, airplanes, speed boats, etc. has made it feasible for people to travel to and from their required destination in much less time. Adding to that are ridesharing apps, such as Uber and Grab, which have made it incredibly easy to get to a destination very quickly and inexpensively. The backbone of any society is its infrastructure, which includes both telecommunication and transportation systems, so the evolution of both systems has greatly helped to shape the modern world.

3. **Improvement on Communication**

Telecommunication systems are a very crucial part of any advanced society. From using bird messages and smoke signals, to the faster, more efficient, more effective, and more global system of email, phone calls, and app messaging allows for people to stay connected in a globalized world. From Skype to VOIP to global telecom carriers, it is highly feasible for people to travel the world and stay connected, and even possible for remote workers or international businesses to utilize video calls and conference calls via the Internet to keep their businesses going without interruption.

4. **Improving the Education and Learning Process**

In the modern world, it is as easy as utilizing a Google search, podcast, or YouTube video to learn virtually any skill that one needs to succeed, whether it be a new language, a programming language, a technical skill, or an obscure part of history. As opposed to having to learn from printed paper books, now ebooks and even online seminars allow people to learn in a faster, more efficient fashion, and with the convenience of mobile computer systems/apps. Online gateways and websites have also allowed institutions of education to offer educational materials in an all new, streamlined manner, helping students to master materials using computer systems that they are familiar with, and also allowing them to consolidate their educational materials in a single place.

Negative Impact of Information technology on Business and Economy

The depletion of fossil fuels, the need for more rare-earth elements, the use of rare elements such as gold, coltan and tantalum (as is required for modern electronics) - which have often helped fuel wars in mineral rich continents and countries - and the burning of fuels potentially impacting Global Warming are all very real issues created by an increasing use of technology.

1. **Depletion of resources**

One of the most troubling issues associated with the increasing use of technologies is the depletion of natural resources, whether that be rare earth elements/minerals, food sources, or fossil fuels. As noted by Karehka

Ramey (2012), the use of corn to produce fuel in the form of ethanol, for instance, can greatly reduce corn/food supplies globally. Additionally, the world's hunger for more and more electronics can greatly or completely deplete the world's resources of gold, coltan, and other rare minerals, while helping to fuel conflicts around the world where those "blood minerals" are found and often fought over.

2. Population Increase/Health Concerns

Despite the invention of contraceptives, the human global population has exploded, in part due to better technologies that have allowed for longer life spans, more abundant sustenance availability, and the management of resources that have allowed for more effective reproduction. Ironically, the presence of more humans is partly related to resources being more depleted, but also resulting in more effective management being implemented. However, the increasing usage of technology has affected some health epidemics that previously were unheard of, including the development of societal sedentary lifestyles (such as constant sitting), excessive exposure to blue light from electronic devices, and constant exposure to EMFs, which can result in chronic illness such as immune system dysfunction.

3. Pollution Increase

Along with the depletion of resources, one of the most notable negative impacts of technology is the great increase in pollution due to industrialization. This includes fossil fuel emissions, global warming, and cities around the world whose factories emit massive quantities of solid and air pollution/waste, resulting in large increases in cancer and chronic illness incidents. And while climate change is a highly controversial subject, many scientists agree that global warming is very real and is a threat to the human species.

In Conclusion

Information Technology has had a tremendous, almost unimaginable impact on human life from the dawn of civilization. While it is near impossible to gauge the entire impact on human society, technology clearly has done a lot to make human life easier, more enjoyable, and more convenient. However, when misused or produced irresponsibly, it has had the potential to have devastating consequences, and thus is not without its drawbacks. As humans venture into the future, it is increasingly important for engineers to operate in a more conscientious and responsible manner, and for end-users to create a balance between the usage of technological systems with old-fashioned techniques for getting things done in a more healthy, productive manner.

Short and Long Essay type Questions for Self-Assessment:

1. How did the Business Evolved in the Post WW-II Scenario? Elaborate
2. What was Cold War? And how did it Impacted the International Business?
3. What are the impacts of cold war on international relations?
4. What are good questions to ask about the Cold War?
5. What are the factors responsible for Cold War?
6. What was the impact of the Cold War on international human rights law?
7. State the causes of OPEC Crisis and its impact on International Business?
8. How do the actions of OPEC impact worldwide trade?
9. What type of challenges has the world seen under OPEC?
10. How does OPEC affect the economies of its member countries?
11. What is the role of OPEC in globalization?
12. How the Gulf War started and what was its impact on International Business?
13. What the major impacts or consequences of the Gulf War?
14. How did the Gulf War affect the economy?
15. What was the main motivation for the Gulf War?
16. Did the Gulf War achieve its military and strategic objectives?
17. Explain the Dawn of IT era and its impact on Business and Economy?
18. What impact has technology had on businesses?
19. How does technology help in economic development of a country?
20. In which field has technology had the greatest impact on our lives?
21. What happens if technological change occurs in the economy?
22. How does technology help in economic development of developing countries?
23. Why is technology important for the economic development of a country?

Scan the below **QR codes** for Free Open Access Resources for MCQ's & Video etc. on

Unit 2: Evolution of Business in Post WW-II Scenario

Video on Post WW-II Scenario	**MCQs on Post WW-II Scenario**
Video on OPEC Crisis	**MCQs on OPEC Crisis**
Video on IT Revolution	**MCQs on IT Revolution**
Video on Cold War	**MCQs on Cold War**

Unit 3: Evolution of Indian Business

Unit Outcome:

After reading this Unit you should be able to understand and follow: -

- To differentiate the Indian Business structure between Pre and Post-Independence
- To analyse the contribution of various sectors in Indian Business

Introduction

Evolution of business means its origin, growth, and continuous development with expansion in various sectors that contribute and run economies.

The business evolution went through many progressive stages or so called developmental steps. In each stage of progress, it evolved itself and got more mature than its previous state. It is evident that, at every step of evolution; it expanded its scale of operations and also widened its modes of communication. It is continuously evolving since then.

The business evolution went from local stage to a global one:

(1) First, the local business evolved from its three basic sub-stages

Starting with a barter economy

Then followed by the village economy

The town's economy.

(2) Secondly, the regional business grew as a result of cooperation between different states.

(3) Thirdly, the national business was an outcome of a business presence felt in the entire country.

(4) Then, international business emerged as an answer to fulfill the scarcity of resources felt within each country.

(5) Finally, an idea to see the entire world as one huge market was realized. This paved the way to form a new concept called global business.

Now let's discuss in brief each of the above-mentioned main stages that contributed towards the evolution of business.

The economic development of a country is measured by the development of commerce and industry. The development of business activities in India has been going on with the changes in civilisation. There was a time when there was no commerce at all and now its development has brought the whole world together. There have been different stages through which the development of trade and industry has passed.

A brief description of evolution of business activities has been discussed herewith:

Stage 1. Local Business

Local business is the starting stage of the evolution of business.

Business had its origin since the early ages of human civilization. It began with a mere sharing of food commodities. People use to collect and store whatever surplus they had and use to seek out something they didn't have. This situation was present in various areas around the world which later gave birth to a form of business in local areas.

The local area comprise of surrounding neighborhoods, adjacent areas where community of native people, mostly dwells, live, and remains active regularly.

In general, local business can be stated as various exchanges (trade) activities happening regularly among people of a local-area.

The three sub-stages of evolution of local business:

(1) Barter Economy Stage:

Barter is a system of exchange of goods for goods. The earlier system of producing or procuring only for one's needs gave way to barter system. With the increase in demand for more and more goods and surplus in one's own production, there was a search for those who wanted to exchange goods for goods. The families started producing more than their needs.

The surpluses were exchanged with those goods which they needed. At a later stage some places were fixed where people used to come for exchanging their surplus products with others. The payment for using the

services of other people was also in kind. Though commerce had come into being but it was at an elementary level. There was a problem of bringing together persons who needed each other's goods. There was no common yardstick for measuring the value of goods to be exchanged.

- In barter economy stage, money is not used as a medium of exchange. Here, goods are exchanged for goods.
- Monetary transactions are absent in barter exchange.
- Here, the rate of exchange depends upon needs of both parties involved in a barter transaction.
- It is the barter system of trade that laid the very foundation of a business.

(2) Village Economy Stage:

People started setting at particular places and began to sow seeds and rearing cattle on the land which they shared with community. These tribes started producing the things which they required and it was a system of self-sufficiency. With the advent of private ownership of land and cattle, the tribe system split into families. Some families started concentrating on occupations other than agriculture.

This led to exchange of goods for satisfying family needs. There was a system of village economy and all the requirements of the village were met by the people themselves. In order to facilitate exchange, a class of people called traders also emerged. Different families started specialising in producing different goods or taking up specific jobs. All these developments led to a self-reliant village economy.

- The village is a self-sufficient communal unit. Here, people usually live in harmony with each other and their environment by forming different cooperative social groups.
- The village economy is mainly supported and fueled by various agricultural activities.
- Here, people satisfy each other's requirement by trading among themselves, their basic goods and services. However, in some special cases, even gold, silver, and copper are used for trading.
- When villagers started doing their businesses at a village level, it helped to form the world's first markets.
- In these small markets, the villagers exchanged or sold their surplus goods.
- This overall helps to transcend the economy from a barter stage to become a village economy.

(3) Town Economy Stage:

With the use of money for exchange purposes, the volume of trade started increasing. The system of self-sufficiency gave way to division of labour. Instead of producing for family needs people started meeting needs of the whole village. People started specialising in different products. Certain places were being fixed where people could come to buy and sell goods.

There used to be weekly mandis or fairs where people from nearby villages would come to sell their surplus products and buy goods for their needs. The mandis or fairs became a regular feature. The increased volume of trade encouraged more and more division of labour. A separate class of traders and artisans came into existence.

These persons started settling at central places and established their business premises there. These places were known as towns and became trade centres for people living in villages. The villagers brought raw materials, cattle, milk, etc. to the towns for sale. The artisans would manufacture goods as per the needs of the people. The traders became a link between farmers and artisans.

The traders also started bringing luxury goods from outside places for sale in towns. As the journey was risky, the traders used to move in caravans and with the protection of armed men.

- Town is a meeting ground for the majority of villages.
- It is a place where people from different villages come together, interact and mingle.
- This heterogeneous interaction brings the influx of new cultures and traditions, ideas, and creates better opportunities.
- This attracts many new people, and development also start taking place to sustain the demands of incoming masses.
- This process gradually results in the formation of the town's economy.

Stage 2. Regional Business

Regional business is the second stage of evolution of business. In the context of this , region is a huge landmass or an area that comprises of numerous town economies.

When a business alliance of a town's economy from any specific region feels the need to extend the scope of their business, it results in business expansion at a regional level.

The meaning of regional business:

- It is a business between different areas within a country.
- It mainly includes the trade between various states, which are political divisions that make up a country.
- Here, credit sales get more importance.
- Better and economic infrastructure facilities, especially, transport and communication are required to develop it.

Stage 3. National Business

National business is the third stage of evolution of business. Nation is an organized political union of its member states.

The meaning of national business:

- It is present in the entire country. In a practical sense, it is spread in the most parts of a country.
- The business at a national level first started in England during the era of the Industrial Revolution. The joint-stock companies became very popular during this stage.
- The size of it is always large when compared with the business done at a regional level.
- It helps to make the availability of goods and services in the most parts of a country.

Stage 4. International Business

International business is the fourth stage of the evolution of business. No nation is 100% self-sufficient with its all available resources. A nation may have an abundance of some resources but may also experience scarcity of other resources. To overcome this scarcity, nations often trade among themselves. They satisfy each other's needs by supplying their surpluses and/or expertise, and in return bring home, the scanty resources.

The meaning of international business:

- It implies businesses conducted among or between different nations. Here, two or more countries do business with each other. It mainly consists of imports and exports. For example, crude oil-rich Gulf countries export their raw oil and in return import the scare food items.

- This business is not a phenomenon of modern times. It has its origin in the ancient times. It began when merchants from different kingdoms started exploring remote parts of the old world in search of wealth and opportunities. For examples, European traders came to the south-Asia via a new sea-route in search of cheaper spices, which were in huge demand in Europe.
- It helps to improve friendly relations between different countries.
- It also helps to improve the standard of living of the people.

Today, international business has increased many folds. It is so, mostly due to the availability of faster modes of communication and transport, regional cooperation between countries, and adaptation of free trade policies.

Stage 5. Global Business

Global business, is the current stage of evolution of business.

Global market is one big world level market. Here, the entire globe or world is considered as one huge market of opportunities. This market has the enormous levels of customer base than any other type of market. It has no borders and is almost restrictions free. All companies can sell their goods and services in this kind of one open global market. However, here, the competition is very severe. Large funds, skilled human resource, an ample amount of creativity and innovation, best quality of products and services, along with world-class logistics and marketing are required to sustain the tremendous pressures of its severity. Generally, this market is fully controlled by the rich cartels of multinational companies (MNCs).

The meaning of global business:

- It is a business in one giant world-level market.
- It is a new concept and is also referred as globalization.
- India entered the world market and started its global business in the early 1990s. Since then its importance has increased in India.
- It is the most current and latest mature stage the modern business has evolved into.

Indian Business: Changes and Styles

Introduction

The history of Indian business is fairly long. India was a key hub of scientific innovation from its very early history which lent India a pole position in several areas like medicines, mathematics, astronomy and metallurgy. During the medieval period, India was a prominent economy having trade relations with the rest of the world. India was central to the Silk Route and the Cotton Road. India's indigenous craftmanship was world renowned. In 1700 AD, India's share in world GDP was 24.4 per cent, ahead of China's share at 22.3 per cent. Even so, large scale domestic business was restricted by the fragmented nature of political landscape coupled with infrastructural bottlenecks. While trading and money lending were the hallmark of business, manufacturing, which was primarily small scale was largely left to artisans. In short, trade was the face of Indian business alongside a flourishing banking and exchange business offered by merchants.

(1) Colonial Period

The advent of imperial powers and the discovery of new trading routes completely changed the face of Indian business during the colonial period. The onset of the industrial revolution in the late 18th century had catapulted England into a position of leading industrial power. British tariff policy encouraged exports of raw materials to the detriment of India's domestic industrial development and local enterprise. A Reserve Bank of India Survey in 1948 estimated that of all foreign capital invested in India, only 28 per cent was in the manufacturing industry, whereas 37 per cent was invested in merchandising and transport, and 20 per cent in tea, coffee, and rubber plantation. Clearly, the thrust was to promote British interests. Despite adverse circumstances, Indian business managed to hold its own amidst the nationalistic fervour of the times. With British industrial power on a decline due to war preoccupations, several Indian industries such as textiles, jute, iron and steel, paper and cement consolidated their position. Considering the stagnation in the previous decades, the post-World War I spurt in industrial activity was significant. Notably, Indian businessmen also remained alive to the socio-political atmosphere of the time by pursuing and propagating the nationalistic agenda. Aftermath of Independence the initial decades after independence brought in changes to the Indian business environment with economic policy focused towards capital-intensive production structure. Indian businesses were unshackled from the confines and constraints that reduced them to be just raw material producers. In the subsequent period, shocks such as wars (1962, 1965 and 1971), droughts (1965-66) and the OPEC oil crisis (1973) revealed the underlying vulnerabilities of the Indian economy. In hindsight, excessive regulations stifled entrepreneurial growth and led to inefficiencies that

reflected in macroeconomic imbalances of the period. As a result, a new vision of political economy driven by markets and private enterprise started to evolve steadily.

Industrial Revolution:

The word 'Industrial Revolution' is used to describe a series of changes in the industrial field in England during the period between 1760 and 1850. The changes of far reaching effects took place during this period. Generally, the word 'Revolution' is used for an abrupt change but in this case it is used to describe 'fundamental change'.

A number of inventions took place in England which changed the entire technique of production. Some of the important inventions were the Spinning Jenny of Hargreaves, the Water Frame of Arkwright, the Mule of Crompton and the Power-loom of Cartwright. With the help of these inventions industrial production started at a mass scale.

The machinery was used for production, division of labour was introduced and the modes of transport were improved. The use of steam-engine in place of labour helped to increase production manifold. The use of machines required more capital investments and it led to the change in ownership from a sole proprietorship to a joint stock company.

According to Mr. L.C.A Knowles, "The so-called Industrial Revolution comprised of six great changes or developments-all of which were inter-dependent".

These changes were:

(i) Development of Engineering:

Industrial revolution brought about a change in engineering skill. Engineers were required to design machines for textile and coal-mixing industries. The tool making for repairing ships and locomotives were also essential. There was a need for sufficient number of trained persons for taking up these jobs. The development of trained people was a part of industrial revolution.

(ii) Revolution in Iron-making:

The casting of iron for manufacturing machines was the other need of this revolution. A sufficient quantity and goods of iron was the need of the time. This development helped in producing sufficient number of machines.

(iii) Use of Steam Power in Textiles:

The use of mechanical devices in textile industry raised its production. First steam power was used in spinning. It created a surplus of yarn because man-made and traditional methods of weaving could not cope with the situation. It necessitated the use of power for weaving purposes also. The use of power was also extended to other aspects of textile industry.

(iv) Rise of Chemical Industry:

The use of power in textile industry necessitated suitable changes in the processes like bleaching, dying, finishing or printing so that production could be accelerated to keep pace with the output of piece goods. All this was possible only with the development of chemical industry.

(v) Development of Coal Mining:

The development of coal mining was inter-dependent on other developments. The coke was needed for smelting and refining iron and pig iron respectively in blast furnaces as also for producing the steam power which had also become the motive power of the industry.

(vi) Revolution in Transport and Communication:

The above mentioned developments could not have been possible without the improved modes of transport. The horse driven carriages could not cope with the needs of large scale production. The moving of inputs to centres of industrialisation and then distribution of manufactured goods to places of consumption will be possible only with better transport means.

The industrial revolution led to large scale production. The production large scale reduced prices of goods. The commodities which were considered luxuries earlier were within the reach of a common man. The division of labour was introduced in factories and this led to specialisation.

Industrial production increased manifold after the mechanisation of production methods. There was a need for more and more markets to sell the goods. The discovery of new sea routes, opening of Suez Canal, introduction of railways, steamships, aeroplanes and automobiles revolutionised transport system. The movement of goods among different countries became easy and fast. The trade crossed national boundries. The trade expanded from local to national and from national to international boundries. The facilities such as insurance and banking also gave philip to the development of trade. The revolution in communication methods has further facilitated the growth of business activities.

The use of telephone, telegraph, radio, T.V. etc. has helped in creating world market for goods. The latest edition of internet, intranet, e-commerce and advanced IT methods has radically changed the structure of trade and commerce both at national and international levels.

(2) Reforms and After

In the 1980s, the Open General License (OGL) list for imports was expanded, industrial controls were somewhat eased, limited external borrowings were allowed, and an early version of indirect tax reforms began. The external payments crisis, as we entered the 1990s, culminated in the path-breaking economic reforms of 1991. The economic reforms of 1990s were wideranging and were essentially based on the trinity of liberalisation, privatisation and globalisation. They entailed deregulation; the end of the licence-permit raj; increased outward orientation; and willingness to let market forces play their role. The financial system and the external sector also underwent fundamental reforms relating to strengthening of prudential norms and the supervisory system; operational flexibility of the banking sector; taxes and tariffs; exchange rate; and capital flows. The reforms aimed to bring competition to promote efficient markets that deliver growth, create wealth and reduce poverty. In the years since the initiation of economic reforms, Indian business has witnessed various transformational changes. In several sectors spanning information technology, telecom, pharmaceuticals, automobiles, hotels, textiles, engineering goods and entertainment, our businesses have created global reputation. Indian business entities have shown a great deal of flexibility in an environment of rapid technological changes. This has led to a shortening of product lifecycles and innovation and technology have become key sources of competitive strength. The country now commands a diversified industrial base that has shown resilience in the face of multiple challenges posed by shocks such as the Global Financial Crisis, the recent COVID-19 pandemic and now the war in Europe.

Advancements in Modern Business:

A number of advancements have occurred in commerce and industry in the last fifty years. These changes have revolutionised production and distribution.

Some of these changes are described as follows :

(i) Improved Methods of Production:

The use of latest technology has revolutionised production methods. The rate of production has increased substantially. Mechanisation and automation have also helped in controlling wastes and reducing cost of production. Productivity of workers has also gone up.

(ii) Large Scale Production:

The growth of multinational companies has increased the scale of production. The goods are not produced for local or national markets only but international demand is taken into consideration.

(iii) Specialisation:

The division of labour has led to specialisation in every industrial activity. Industrial units produce small number of components but specialise in them. Big industrial units also encourage specialisation in small units. The specialisation helps in raising productivity and competitive strength of the units. Even at international level countries produce only those goods in which they can specialise and have natural advantage. This specialisation has further increased international trade.

(iv) Research and Development:

The focus of industrial units is to devise better and better products on a regular basis. This has necessitated an emphasis on research and development. The thrust now is on revolution and not on evolution. Research and development helps in controlling costs, increasing production and raising standards of living of people.

(v) Expansion of International Trade:

International trade is expanding at a greater pace. The organisations like WTO are helping to bring together the whole world by removing various hindrances imposed by countries in the flow of goods and services. The whole world is now becoming one big market.

Growth of Public and Private Enterprises:

Industrialisation in India mainly started after 1947. British rulers wanted India to be the supplier of raw materials and consumer of their finished goods. After independence the government devised specific roles to public and private sectors. Basic and strategic industries were developed under public sector and consumer goods industries were left to be developed under private sector.

There were a number of changes in industrial policy from time to time. The public sector enterprises could not provide the required quantum for industrial development. It was in 1991 when government decided to limit the role of public sector only to a few industries and rests of the industries were left to be developed by private sector. Foreign entrepreneurs were freely allowed to set up unit in India.

A number of multinational companies, especially in automobile sector and durable consumer goods, have set up their manufacturing facilities in India. Foreign investors are allowed to own majority of equity in a number of Indian industries.

There are basic structural changes in Indian industrial sector in the last 15 years. Under world trade treaties every country has to .allow free access to foreign goods. Indian industries are now operating under intense

competition from foreign undertakings. This competition has created awareness about quality and cost among Indian entrepreneurs. Indian exports are now finding good foreign markets.

Businessmen are exploring newer and better foreign markets for Indian goods. The government is also giving proper attention to export promotion. Though public sector is also continuing but the thrust has shifted to private sector. Private sector will have to show results in a fairly competitive environment.

East India Company early Ventures in India

A Brief History of the British East India Company

Between early 1600s and the mid-19th century, the British East India Company lead the establishment and expansion of international trade to Asia and subsequently leading to economic and political domination of the entire Indian subcontinent. It all started when the East India Company, or the "Governor and Company of Merchants of London trading with the East Indies", as it was originally named, obtained a Royal Charter from Queen Elizabeth I, granting it "monopoly at the trade with the East". A joint stock company, shares owned primarily by British merchants and aristocrats, the East India Company had no direct link to the British government.

Through the mid-1700s and early 1800s, the company came to account for half of the world's trade. They traded mainly in commodities exotic to Europe and Britain like cotton, indigo, salt, silk, saltpetre, opium and tea. Although initial interest of the company was aimed simply at reaping profits, their single minded focus on establishing a trading monopoly throughout Asia pacific, made them the heralding agents of British Colonial Imperialism. For the first 150 years the East India Company's presence was largely confined to the coastal areas. It soon began to transform from a trading company to a ruling endeavor following their victory in the Battle of Plassey against the ruler of Bengal, Siraj-ud-daullah in the year 1757. Warren Hastings, the first governor-general, laid down the administrative foundations for the subsequent British consolidation. The revenues from Bengal were used for economic and military enrichment of the Company. Under directives from Governor Generals, Wellesly and Hastings, expansion of British territory by invasion or alliances was initiated, with the Company eventually acquiring major parts of present day India, Pakistan, Bangladesh and Myanmar. In 1857, the Indians raised their voice against the Company and its oppressive rule by breaking out into an armed rebellion, which historians termed as the Sepoy Mutiny of

1857. Although the company took brutal action to regain control, it lost much of its credibility and economic image back home in England. The Company lost its powers following the Government of India Act of 1858. The Company armed forces, territories and possessions were taken over by the Crown. The East India Company was formally dissolved by the Act of Parliament in 1874 which marked the commencement of the British Raj in India.

Founding of the Company

The British East India Company was formed to claim their share in the East Indian spice trade. The British were motivated the by the immense wealth of the ships that made the trip there, and back from the East. The East India Company was granted the Royal Charter on 31 December, 1600 by Queen Elizabeth I. The charter conceded the Company monopoly of all English trade in lands washed by the Indian Ocean (from the southern African peninsula, to Indonesian islands in South East Asia). British corporations unauthorized by the company treading the sea in these areas were termed interlopers and upon identification, they were liable to forfeiture of ships and cargo. The company was owned entirely by the stockholders and managed by a governor with a board of 24 directors.

Early Ventures

The first voyage of the company left in February 1601, under the commandership of Sir James Lanchaster, and headed for Indonesia to bring back pepper and fine spices. The four ships had a horrendous journey reaching Bantam, in Java in 1602, left behind a small group of merchants and assistants and returned back to England in 1603.

The second voyage was commandeered by Sir Henry Middleton. The third voyage was undertaken between 1607 and 1610, with General William Keeling aboard the Red Dragon, Captain William Hawkins aboard the Hector and the Captain David Middleton directing the Consent.

Establishment of Foothold in India

The Company's ships first arrived in India, at the port of Surat, in 1608. In 1615, Sir Thomas Roe reached the court of the Mughal Emperor, Nuruddin Salim Jahangir (1605–1627) as the emissary of King James I, to arrange for a commercial treaty and gained for the British the right to establish a factory at Surat. A treaty was signed with the British promising the Mughal emperor "all sorts of rarities and rich goods fit for my palace" in return of his generous patronage.

Expansion

Trading interest soon collided with establishments from other European countries like Spain, Portugal, France and Netherlands. The British East India Company soon found itself engaged in constant conflicts over trading monopoly in India, China and South East Asia with its European counterparts.

After the Amboina Massacre in 1623, the British found themselves practically ousted from Indonesia (then known as The Dutch East Indies). Losing horribly to the Dutch, the Company abandoned all hopes of trading out of Indonesia, and concentrated instead on India, a territory they previously considered as a consolation prize.

Under the secure blanket of Imperial patronage, the British gradually out-competed the Portuguese trading endeavor, Estado da India, and over the years oversaw a massive expansion of trading operations in India. The British Company's win over the Portuguese in a maritime battle off the coast of India (1612) won them the much desired trading concessions from the Mughal Empire. In 1611 its first factories were established in India in Surat followed by acquisition of Madras (Chennai) in 1639, Bombay in 1668, and Calcutta in 1690. The Portuguese bases at Goa, Bombay and Chittagong were ceded to the British authorities as the dowry of Catherine of Braganza (1638–1705), Queen consort of Charles II of England. Numerous trading posts were established along the east and west coasts of India, and most conspicuous of English establishment developed around Calcutta, Bombay, and Madras, the three most important trading ports. Each of these three provinces was roughly equidistant from each other along the Indian peninsular coastline, and allowed the East India Company to commandeer a monopoly of trade routes more effectively over the Indian Ocean. The company started steady trade in cotton, silk, indigo, saltpeter, and an array of spices from South India. In 1711, the company established its permanent trading post in Canton province of China, and started trading of tea in exchange for silver. By the end of 1715, in a bid to expand trading activities, the Company had established solid trade footings in ports around the Persian Gulf, Southeast and East Asia.

Towards Complete Monopoly

In 1694, the House of Commons voted "that all the subjects of England had an equal right to trade to the East Indies unless prohibited by act of Parliament." Under pressure from wealthy influential tradesmen not associated with the Company. Following this the English Company Trading to the East Indies was founded with a state-backed indemnity of £2 million. To maintain financial control over the new company, existing

stockholders of the old company paid a hefty sum of £315,000. The new company could hardly make a dent in the established old company markets. The new company was ultimately absorbed by the old East India Company in 1708. A tripartite venture was established between the state, the old and the new trading companies under the banner of United Company of Merchants of England Trading to the East Indies. The following few decades saw a bitter tug of war between the company lobby and the British Parliament to acquire permanent establishment rights which the latter was hesitant to relinquish in view of the immense profits the company brought. The united company lent to the government an additional £1,200,000 without interest in exchange of renewal of charter until1726. In 1730, the charter was renewed until 1766, in exchange of the East India Company lowering the interests on the remaining debt amount by one percent, and contributed another £200,000 to the Royal treasury. In 1743, they loaned the government another £1,000,000 at 3% interest, and the government prolonged the charter until 1783. Effectively, the company bought monopoly of trading in the East Indies by bribing the Government. At every juncture when this monopoly was expiring, it could only affect a renewal of its Charter by offering fresh loans and by fresh presents to the Government.

The French were late to enter the Indian trading markets and consequently entered into fresh rivalry with the British. By the 1740s rivalry between the British and the French was becoming acute. The Seven Years war between 1756 and 1763 effectively stumped out the French threat led by Governor General Robert Clive. This set up the basis of Colonial monopoly of East India Company in India. By the 1750s, the Mughal Empire was in a state of decadence. The Mughals, threatened by the British fortifying Calcutta, attacked them. Although the Mughals were able to acquire a victory in that face-off in 1756, their victory was short-lived. The British recaptured Calcutta later that same year. The East India Company forces went onto defeat the local royal representatives at the battle of Plassey in 1757 and at Buxar in 1764. Following the Battle of Buxar in 1764, the Mughal emperor signed a treaty with the Company allowing them to oversee the administration of the province of Bengal, in exchange for a revised revenue amount every year. Thus began the metamorphosis of a mere trading concern to a colonial authority. The East India Company became responsible for administering the civil, judicial and revenue systems in one of India's richest provinces. The arrangements made in Bengal provided the company direct administrative control over a region, and subsequently led to 200 years of Colonial supremacy and control.

Takeover of the Company by the British Crown

The brutal and rapid annexation of native Indian states by introduction of unscrupulous policies like the Doctrine of lapse or on the grounds of inability to pay taxes along with forcible renunciation of titles

sparked widespread discontent among the country's nobility. Moreover, tactless efforts at social and religious reforms contributed to spread of discomfiture among the common people. The sorry state of Indian soldiers and their mistreatment compared to their British counterparts in the armed forces of the Company provided the final push towards the first real rebellion against the Company's governance in 1857.Known as the Sepoy Mutiny, what began as soldiers protest soon took epic proportions when disgruntled royalties joined forces. The British forces were able to curb the rebels with some effort, but the munity resulted in major loss of face for the Company and advertised its inability to successfully govern the colony of India. In 1858, the Crown enacted the Government of India Act, and assumed all governmental responsibilities held by the company. They also incorporated the Company owned military force into the British Army. The East India Stock Dividend Redemption Act was brought in effect on January 1, 1874 and the East India Company was dissolved in its entirety.

Legacy of the East India Company

Although the East India Company's colonial rule was hugely detrimental to the interest of the common people due to the exploitative nature of governance and tax implementation, there is no denying the fact that it brought forward some interesting positive outcomes as well.

One of the most impactful of them was a complete overhaul of the Justice System and establishment of the Supreme Court. Next big important impact was the introduction of postal system and telegraphy which the Company arguably established for its own benefit in 1837. The East Indian Railway Company was awarded the contracts to construct a 120-mile railway from Howrah-Calcutta to Raniganj in 1849. The transport system in India saw improvements in leaps and bounds with the completion of a 21-mile rail-line from Bombay to Thane, the first-leg of the Bombay-Kalyan line, in 1853.

The British also brought forth social reforms by abolishing immoral indigenous practices through acts like the Bengal Sati Regulation in 1829 prohibiting immolation of widows, the Hindu Widows' Remarriage Act, 1856, enabling adolescent Hindu widows to remarry and not live a life of unfair austerity. Establishment of several colleges in the principal presidencies of Calcutta, Bombay and Madras was undertaken by the Company governance. These institutions contributed towards enriching young minds bringing to them a taste of world literature, philosophy and science. The educational reforms also included encouragement of native citizens to sit for the civil services exams and absorbing them into the service consequently.

The Company is popularly associated with unfair exploitation of its colonies and widespread corruption. The humongous amounts of taxes levied on agriculture and business led to man-made famines such as the Great Bengal famine of 1770 and subsequent famines during the 18th and 19th centuries. Forceful cultivation of opium and unfair treatment of indigo farmers lead to much discontent resulting in widespread militant protests.

The positive aspects of social, education and communication advancements were overshadowed largely by the plundering attitude of the Company rule stripping its dominions bare for profit.

Development of Railways in India

Introduction

Railways were the most important infrastructure development in India from 1850 to 1947. They were inter-connected with all aspects of Indian society. In terms of the economy, railways played a major role in integrating markets and increasing trade. Domestic and international economic trends shaped the pace of railway construction and the demand for the important traffic flows to the ports. In terms of politics, railways shaped the finances of the colonial government and native states. At the same time, Indian political institutions influenced railway ownership and policy, which in turn influenced railway performance. As the twentieth century progressed, railways became a force for independence and democracy.

Development of the Network

Before the arrival of railways, the Indian transportation network was poor. Roads were few and poorly constructed with many being inaccessible in the monsoons. Water transportation was limited to the coast and the Indus and Ganga river systems, both important commercial arteries connecting the north to the western and eastern coasts respectively. Outside of the great river systems or the Grand Trunk Road connecting Calcutta to Peshawar, transport costs were generally high. As a result, markets for most bulky goods were small and regional. Only high value to weight luxury goods, like printed cotton textiles, could reach national or international markets.

The initial advocates for developing railways in India were the mercantile interests in London and Manchester. The expectation was railways would lower transport costs and allow English merchants easier access to raw cotton from India. Simultaneously railways would open Indian markets to British manufactured products such as cotton textiles. Neither the railway promoters nor the East India Company envisioned much of a demand for passenger traffic at that time. It was a short-sighted view because passenger traffic would eventually become a major source of revenue. The initial development of the

network was slow under the East India Company, but the paced picked up once the British crown took control in 1858.

Organization of the Network

The construction and management of the Indian rail network involved private British companies, private Indian companies, the GOI and Indian native states. The organization can be broken down into four different phases. In the first phase up to 1869, private British companies constructed and managed the trunk lines under a public guarantee. In the second phase, the GOI entered the field constructing and managing state railways in the 1870s. The third phase, beginning in the early 1880s, involved hybrid public-private partnerships between the GOI as majority owner of the lines and private companies in charge of construction and operation. Finally in the fourth phase, the GOI began taking over railway operations beginning in 1924. Ten private companies incorporated in Britain constructed and managed the early trunk lines.

By 1869 there were two mergers, leaving eight major railway companies, namely the (1) East Indian, (2) Great Indian Peninsula, (3) Eastern Bengal, (4) Bombay, Baroda and Central India, (5) Sind, Punjab and Delhi, (6) Madras, (7) South Indian, and (8) Oudh and Rohilkhand. These companies constructed the major trunk routes connecting the ports to each other and to the interior on the broad gauge.

Trends in Inputs, Outputs, and Safety

Capital outlays on all Indian railways increased by a factor of 32 between 1860 and 1939 according to the Morris and Dudley (1975) series. The average annual growth rate of capital was 4.4% over this period. Clearly, capital grew rapidly, but there is a caveat—changes in the price of capital goods are not taken into account. In another paper, we report estimates of the capital stock for all major railways from 1860 to 1913 using a real investment series. The figures suggest nominal capital outlay understates the capital stock by around 15% in 1913 (Bogart and Chaudhary 2011). In other words the capital stock grew by more than 4.4% per year.

Development of Banks in India

Introduction

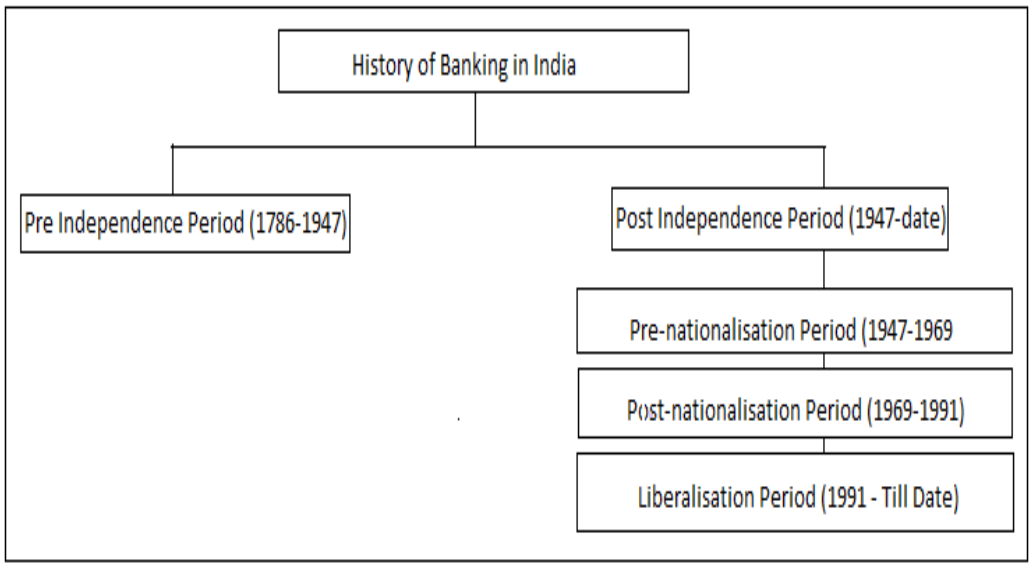
The Indian economic climate has changed dramatically in recent years as a result of bank reforms and policies. The most significant shift is found in the financial sector, with the banking industry being the most affected. As a result, the banking industry is robust enough to endure any level of pressure and competition. As a result, these financial developments have been quite noticeable in recent years. India now has a fairly stable banking sector with different classes of banks contributing to it. In this article, we will know about the bank, types of banks and about the banking sector.

Description

The banking industry is critical to the economic prosperity of a country. Today, India has a reasonably developed banking system with many types of banks – public sector banks, foreign banks, private sector banks – both old and new generation, regional rural banks, and co-operative banks – with the Reserve Bank of India as the system's fountainhead.

Introduction to Bank

Banks are key to the economy because they provide essential services to both consumers and companies. You may execute typical banking operations such as deposits, withdrawals, check writing, and bill payments using a range of account types such as checking and savings accounts and certificates of deposit (CDs). You may also invest your money and earn interest on it.



The progression of the Indian financial sector can be divided into three stages:

(1) Before 1947, the pre-independence period

(2) From 1947 until 1991, the country was in the post-independence phase.

(3) The LPG era (1991) and onwards, i.e. 1991 and onwards

1. Pre-Independence Period

The presence of a large number of banks in India characterizes this phase. In India, there were over 600 banks. The development of the banking system began in 1770, when the Bank of Hindustan was established in the then-capital, Calcutta (now Kolkata). In 1832, the bank discontinued operations. Many additional banks arose after the Bank of Hindustan, including the General Bank of India (1786-1791) and the Oudh Commercial Bank (1881-1958), but they did not last long. The Oudh Commercial Bank was India's first commercial bank. Some 19th-century banks are still in operation today, establishing themselves as model institutions.

Allahabad Bank, for example, was founded in 1865, and Punjab National Bank was founded in 1894. In addition, several banks, such as the Bank of Bengal (founded in 1806), the Bank of Bombay (founded in 1840), and the Bank of Madras (founded in 1843) were combined into a single institution. The new institution was initially known as the Imperial Bank of India, but it was eventually renamed the State Bank of India. On the proposal of the Hilton Young Commission, the Reserve Bank of India was established in 1935. Due to the failure of the majority of small banks during this period, public confidence was poor, and individuals continued to deal with money lenders and unorganized players.

2. After independence Phase – 1947 to 1991

The nationalization of the bank was one of the period's most notable elements.

Why was it necessary to nationalize?

- The banks mostly served huge corporations.
- Agriculture, small-scale industry, and exports were among the sectors that were behind.
- Moneylenders preyed on the masses.

As a result, the Reserve Bank of India was nationalized in 1949. During the rule of Smt. Indira Gandhi, fourteen commercial banks were nationalized over the course of two decades. Regional Rural Banks (RRBs) were established in 1975, based on the Narasimham committee's recommendation, with the goal of servicing the underserved.

The main purpose was to reach out to the general public and promote financial inclusion. Other specialist banks were also established to promote the economic activities that were required. NABARD, for example, was founded in 1982 to assist agricultural-related projects. Similarly, the EXIM bank was established in 1982 to facilitate export and import. In 1988, the National Housing Bank was founded for the housing sector, and in 1990, the SIDBI was established for small-scale companies.

Was the Nationalization Process a Success?

Nationalization was a crucial milestone in the banking industry, and it aided in the restoration of public trust in the system. Small and vital industries began to have access to financing, which aided in the expansion of the economy. Furthermore, the move aided the country's development in the global banking sector.

3. The LPG Era (1991) and Beyond 1991 saw a significant shift in the Indian economy.

India's economy was opened up, and international and private investors were invited to invest. The introduction of private players into the banking sector was characterized by this move. The RBI granted banking licenses to eleven private businesses, with ICICI, HDFC, Axis Bank, IndusInd Bank, and DCB among the noteworthy survivors.

In 1998, the Narsimham committee advised that additional private players be allowed to participate. As a result, the RBI granted Kotak Mahindra Bank and Yes Bank licenses in 2001 and 2004, respectively.

The final round of licensing took place over a decade later. IDFC Bank and Bandhan Bank were granted licenses by the RBI in 2013-14. The story didn't end there; in order to ensure that every Indian has access to finance, **the RBI introduced two new types of banks: Payments banks and small banks, marking the start of the banking industry's fourth phase.**

1.Payments Bank

These institutions are permitted to receive a minimal deposit (Rs. 1 lakh per currently). These banks are not permitted to offer credit (including loans and credit cards), although they are permitted to maintain current and savings accounts.

ATM/debit cards, online banking, and mobile banking are some of the other options available. The first payment's bank was started by Bharti Airtel.

The six most active payments banks are shown below –

- Aditya Birla Payments Bank
- Airtel Payments Bank
- India Post Payments Bank
- Fino Payments Bank
- Jio Payments Bank
- Paytm Payments Bank

2. Small Finance Bank

These are specialty banks that provide basic banking services such as deposit acceptance and lending. The primary goal is to reach out to those who are underserved, such as small businesses, marginal farmers, micro and small businesses, and unorganized sectors.

The following are the small financing banks that are currently active in India:

- Ujjivan Small Finance Bank
- Jana Small Finance Bank
- Equitas Small Finance Bank
- AU Small Finance Bank
- Capital Small Finance Bank
- Fincare Small Finance Bank
- ESAF Small Finance Bank
- North East Small Finance Bank
- Suryoday Small Finance Bank
- Utkarsh Small Finance Bank

Bank Types in India

In India, the modern banking process began in the late 18th century. In India, there are now 34 banks, 12 of which are public sector banks and 22 of which are private sector banks.

Types of banks in India are:

- **The Central Bank**

The Central Bank of a country is the principal bank that monitors and synchronises all of the other banks in the country. In India, the Central Bank is known as the 'Reserve Bank of India' (RBI). The RBI is often referred to as the "government's bank" or the "banker's bank."

- **Cooperative Banks**

Such banks function under the authority of the state government. The primary goal of these banks is to ensure the public's social well-being.

This is accomplished by providing loans that are subject to concession based on user comfort.

- **Commercial banks**

These banks are governed by the Banking Companies Act of 1956. These are frequently administered by either the government or a commercial company. The primary goal of such banks is to maximise profits through their commercial practices.

- **Rural Regional Banks**

These banks began operations in 1975 under the Regional Rural Bank Act of 1976. The establishment of 196 occurred between 1987 and 2005. These banks are owned by the national government to the tune of 50%, the state government to the tune of 15%, and the commercial bank to the tune of 35%.

- **Local Area Banks**

These banks were founded in 1996 and operate under the Companies Act of 1956. These are profit-seeking banks.

These are operated by private companies.

There are now four Local Area Banks in India. All of them are located in the southern region of the country.

- **Specialised banks**

The specialist banks include the 'Export and Import' (EXIM) Bank. These banks fund exports and imports, as well as make loans. The 'National Bank for Agricultural & Rural Development' frequently assumes commercial and monetary responsibility for rural artworks, handicrafts, communities, and agricultural development (NABARD).

- **Small Financing Institutions**

The country's national government regulates and controls it. Responsible for providing financial assistance and loans to small enterprises and trades such as farming or the impoverished unorganised sector.

Conclusion

All of these advances in Indian banking demonstrate that Indian banks are shifting toward contemporary banking, which is altering the face of conventional banking in the Indian economy. They are using

information technology for the banking industry and are attempting to give their consumers technology-based banking goods and services.

There is a significant development in the banking industry and it has undergone a significant transformation throughout the years, and it will continue to do so. This sector will continue to grow as a result of the many actions and new features that there is still development in the banking sector.

Indian Economy and Business during WWI & WWII

Introduction

World wars always had deeply affected the Indian Economy be it was WW1 or WW2. The reason people don't talk much about the India and its economy in First World War is that many assume that India was not attached with it, which is quite the contrary. WW2 had much serious implications because it had curtailed India's trade policies within the commonwealth of Britain and ended India's touch with European nations.

1. The First World War caused India to nearly go bankrupt and also a major loss in casualties. Indian troops as high as 800,000 in numbers fought in every aspect of War and a majority 500,000 Indian people volunteered to fight for the British. Offers of financial and military help were made from all over the country. Hugely wealthy princes offered great sums of money for aiding the British in the war. But soon after the war Great Depression occurred in the European nations which soon had its implication in India. The Great Depression that occurred in 1929 had a detrimental effect on India which was then ruled by British. To save them from the depression Government of British India ordered for a protective trade policy, which was just in the interest of England but made India suffer by deteriorating its Economy. The sea based trade was drastically reduced while the agricultural sector crippled. The ambiguous policies that were adopted by the British Governance in India and the international recession lead to very high inflation as the prices sky-rocketed for various goods and services. The high prices which would then be subjected to very high taxes laid by the government made Indians suffer heavily. The Great Depression took a huge toll on the farmers as they had to sell their possessions like gold and silver at petty rates just to survive.

2. In the Second World War had also caused a catastrophic loss to the Indian economy, between the years of 1939-45 external factors influenced the economy majorly which led to huge economic imbalances that prevailed long after peace was attained in India. The root cause of the entire Indian economic problem was Inflation which manifested due to tremendous amount of treasury which was used to finance various

military activities. There were four major consequences of Second World War on India and they included high inflation which was on account of war expenditure, the value of Indian currency took a nose dive, economic imbalances due to currencies exchange problems and the development of exchange control.

Effects on Business

The biggest cause of Inflation in India could be explained through the Sterling Balance problem that exhibited in India. The British Government used their currency to its advantage, for financing the war the British just transferred sterling bonds to the Government of India's account which was there in the Bank of England. An agreement was made that upon the end of war the British Government would pay India those bonds in instalments so that it would not affect their economy, also it was agreed that the Sterling balance would be locked and fixed during the term of war. On the basis of blocked currency in England some more paper money was granted to India by the Government of British India, also during trade with various countries India purchased even more Sterling which further increased their Sterling reserves. As much as 1600 crores was held as Sterling securities with the RBI, owing to which even more paper currency was flushed into the market which finally led to uncontrolled Inflation.

The conditions were further exacerbated when Indians found out that the British had ulterior motives and they were reluctant to unlock the Sterling Securities. Not only this the various amount of resources that were looted and taken back to England during Independence was enough to make India already suffer but also they induced internal tension in India by the elms of partition that led to an internal civil war. One can say that though First World War had huge implications on India but the Second World War affected the nation in such a manner that its effects were prolonged and were seen few decades after the Second World War was dealt with.

What economic impact did the World War have on India?

The World War had the following economic impact on India:

(i) In order to meet a huge rise in defense expenditure, the government increased taxes on individual incomes and business profits.

(ii) Increased military expenditure and the demands for war supplies led to a sharp rise in prices which created great difficulties for the common people.

(iii) The war created a demand for industrial goods like jute bags, cloth, rail, etc. and caused a decline in imports from other countries into India.

(iv) Indian industries expanded during the war and Indian business groups began to demand greater opportunities for development.
(v) Business groups reaped fabulous profits from the war.

Independence and Industrial Planning: 1947-1960

Introduction

1947 was a historic year for India. The country was free of foreign rule and there was hope and expectation as a new India began emerging.
While the yoke of colonial rule had been thrown off, the Indian economy was still largely colonial – foreign firms dominated and sectors such as agriculture and infrastructure were under-developed. Fortunately for India, there was a class of Indian businessmen ready to lead the country towards greater economic progress. During the 17-year tenure of Jawaharlal Nehru, India's first prime minister, the building blocks for a new India were put in place. India's Constitution was finalised, princely states amalgamated, refugees re-settled, and a new Planning Commission set up to oversee the introduction and progress of a planned economy moving towards self-reliance.
During many decades after independence, India was largely an agrarian economy. But for any economy to be globally successful it must have a robust industrial sector. And so for the first seven five-year plans India actively focussed on industrial development through industrial policy formation. Let us take a look.

Objectives of planning and implementation

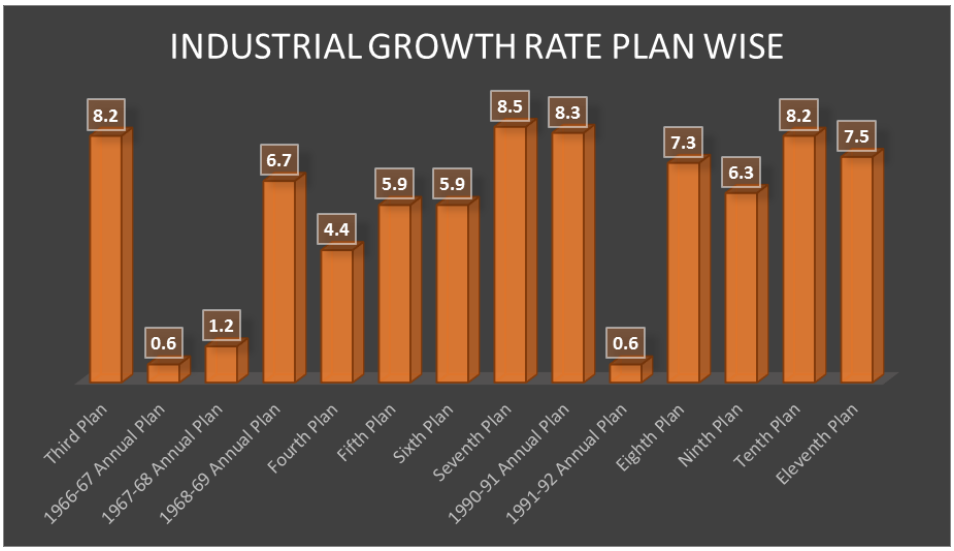
Under this protective umbrella of state support and regulation, the industrial sector was encouraged to attain self-reliance through import-substituting industrialization. Thus the twin objectives of industrial policy were:
i the establishment of a mixed economy (mixed here meaning the co-existence of a public and private sector)
ii) the growth of a self-reliant industrial economy. (Self-reliant here implying no dependence on foreign capital, technology or inputs at least in essential and core sectors of the economy.)

Other objectives of industrial policy have included the following: (and these have been restated in subsequent Industrial Policy Resolutions adopted in 1973, 1978 and 1980).

a. **to increase industrial production and productivity, especially in key sectors,**
b. **to bring about balanced regional development, to encourage small-scale industries,**
c. **to prevent the concentration of economic power through the control of monopolies,**
d. **to limit and regulate foreign investment in domestic industry,**
e. **to generate employment and maintain price stability, and**
f. **to restrict imports to essential inputs and commodities.**

Industrial Planning

Industrial development is a very important aspect of any economy. It creates employment, promotes research and development, leads to modernization and ultimately makes the economy self-sufficient. In fact, industrial development even boosts other sectors of the economy like the agricultural sector (new farming technology) and the service sector. It is also closely related to the development of trade.



But just after independence India's industrial sector was in very poor condition. It only contributed about 11.8% to the national GDP. The output and productivity were very low. We were also technologically backward. There were only two established industries – cotton and jute. So it became clear that there needed to be an emphasis on industrial development and increasing the variety of industries in our industrial sector. And so the government formed our industrial policies accordingly.

1. Control of the State

One of the biggest hurdles in industrial development was the lack of capital. Private industrialists did not have enough capital to build a new industry. And even if they did, the risk involved was too high. So in 1948, it was decided that state would play the primary role in promoting the industrial sector. So the state

would have absolute and complete control over all industries that were vital to the economy and the needs of the public.

Coal, petroleum, aviation, steel etc were all reserved exclusively for the state. The private sector could provide services complementary to those by the state. The public enterprises thus had a monopoly over the markets for many years to come.

2. Industrial Policy Resolution 1956

During the second five-year plan the industrial policy resolution came into action. The aim was to introduce more private capital into the industry but in a systematic manner. So this resolution classified industries into three categories as seen below,

a) **First Category: Industries exclusively owned only by the State**
b) **Second Category: Industries for which private sectors could provide supplementary services. These industries would still be mainly the responsibility of the State. And also only the State could start new industries.**
c) **Third Category: The remaining industries which fell to the Private Sector.**

While any private company or individual could start an industry falling in the third category it was not that simple. The state still maintained control over these industries via licenses and permits. Every new industry needed a license and many permits from the appropriate ministry. They even needed permissions and permits to expand the present industry.

The aim behind such an industrial policy was to keep a check on the quality of the products. It was also an important tool to promote regional equality, i.e. make sure industries were developed in economically backward areas.

3. Small Scale Industries

In 1955 a special committee known as the Karve Committee advised the promotion of small-scale industries for the purpose of rural development. It was believed that since small-scale industries are more labour intensive they would create more employment. Also, the manpower requirement of small-scale industries is semi-skilled or unskilled which was suitable for those times.

However, these small-scale industries cannot match up to large scale industries. So there were special goods and products reserved by the government. These could only be manufactured by small and medium scale industries. Such industries also got financial aid in form of loans and tax and duty breaks.

Strengthening of Infrastructure for Industrial Development

One of the first requirements for the development of the economy is to improve the infrastructure of the country. The various other sectors of the economy cannot develop without the support of infrastructure facilities like transport, rail, banking communication etc.

So to develop these industries the government formed appropriate industrial policies. The development of most of these industries fell to the public sector. Like for example, the rail industry to this day remains firmly in the public sector.

4.Promotion of Capital Goods Industry

Capital goods are goods used in the production of other goods. Capital goods are not for direct sale to the consumer. But they are a hallmark of a good industrials sector. So the government decided to focus on the capital goods industry for the development of our industrial sector.

So the Mahalanobis model came into effect in the second five-year plan. The focus here was on heavy industries, especially those that produce capital goods. This was to create a robust capital base for the economy. So industries of heavy metals, chemicals, machine building, tools, electrical etc. all saw growth in this period.

Such industries have massive capital requirements. But the government ensured they had enough capital to function smoothly. Soon there was a development of high-tech goods in the market as well.

Origin and Evolution of PSU's

Introduction

PSUs or public sector undertakings are very crucial actors that are responsible for the economic upswing in India. These are the organizations whose significant paid share capital (51 per cent or more) is owned by the government. Depending on the type of government that holds it, you can name it a Central PSU or a State PSU. The services provided by these corporations are beneficial for the whole society.

Definition of PSU's

Public sector undertaking (PSU) are those organizations that are financed, controlled and owned by the Government of India or the State Government. These organizations (PSUs) are controlled either by the

Central Government or State Government or Local Authorities. These organizations (PSUs) play a very important role in the economic development of the nation. After the independence in 1947 itself, the public sector undertakings (PSUs) were given the huge responsibility to formulate the infrastructure for other sectors of the economy and provide essential goods and services for the economy.

The Bureau of Public Enterprises, Government of India in its annual Report 1973-74 states, "Public Sector in its widest sense covers all activities of the Government. It is in this sense that the overall expenditure mentioned in the Five Year Plans are described. In a more specific sense, however, public sector would cover industrial and commercial undertakings of the Government which are in the form of state corporations or companies registered under the Indian Companies Act . . . . . ".

Public enterprises, on the other hand, can be defined as those specific forms of institutions set up either at the central, state or local levels involving manufacturing or production of goods including agriculture or making available a service for the price. Such institutions can be maintained either directly in the form of a departmental organisation or through any autonomous body. The main focus is that in public enterprise, the price is charged for goods and services provided by it. Such price may cover the entire cost or not but the aim is that the enterprise as a whole, should at least have a breakeven. Therefore, the social services, the administrative functions of the government are not covered under the term public enterprises, while public utility services like railways, postal services and telecommunications, though managed by the respective departments are called public enterprises because the objective is to breakeven over a period of time. According to the United Nations Document, a public enterprise is that organisation in which the government has a majority of interest of ownership and or management. In one of the studies of the Standing Conference of Public Enterprises (SCOPE), a public enterprise is defined as an entitylorganisation which is owned and or controlled by public authorities and whose output is marketed. In U K, public enterprises are known as nationalised industry because most of them came into existence as a result of nationalisation of existing industries. In India, on the other hand, majority of the public enterprises have been set up as a result of governmental entrepreneurial efforts after Independence. Thus, while public sector refers in a widest sense to all the economic activities undertaken by the government, public enterprises are those specific forms of institutions or establishments in the public sector, responsible for production of certain goods and services. Public enterprises are also referred as public sector undertakings units,

government controlled enterprises, state economic enterprises. Public enterprises are set up in various forms like corporation, company etc.

Growth of PSUs in India

After independence in 1947, India had a shaky industrial base with only a handful of state-owned factories. The weak industrial foundation, insufficient investments, limited infrastructure facilities, and a lack of skilled labourers impaired the core framework of India. These few industries were not competent enough to excel in the developing world. They needed a new and efficient policy that can pave the path for their progress. The Industrial Policy Resolution of the Second Five-Year Plan proved to be the relevant framework for public sector undertakings/companies, which were viewed as a development tool for sustainable economic progress.

Initially, 17 industrial sectors were allocated for the public sector under Schedule A of the 1956 Resolution, with a clause stating that no new private sectors would be permitted in these categories. Another list of industries where the government actively pushed public ownership was listed in Schedule B. The various sub-national governments and the Union government made significant investments in establishing and operating public sector firms and undertakings.

Initially, government projects were limited to the core and strategic industries, including communication setup, irrigation schemes, fertilizers and chemicals, and heavy industries. Following that, the government began nationalizing several banks and international corporations. Later, the public sector enterprises began producing several consumer items and contracting, consulting, and transportation services.

PSUs' Significance

In India, PSUs play a versatile role, leading to a strong foundation for industrial development. With their focus on infrastructure development and expansion, these corporations have led to economic growth. These firms have created job opportunities for many people. PSUs aim to increase exports and decrease imports.

People mostly prefer government jobs. Indian state governments conduct many tests, and the Sarkari Result information for all of these exams is available online. Also, a job at PSU is appealing to many people. The chief advantage of working at a PSU is the tremendous job security that Government Jobs offer. Different PSUs have different criteria for employment, including age limit, qualification, and so on. On the other hand, most PSUs prefer students with specific marks in the GATE exam.

Classification of PSUs in India

In India, Public Sector Undertakings is divided into the following categories:

● **Central Public Sector Enterprises (CPSEs):** firms with a capital share ownership of 51 per cent or more directly controlled by the Central Government or other CPSEs. These have two more categories: strategic CPSE and non-strategic CPSE.

● **Public Sector Banks (PSBs):** includes banks under the direct control of the central government or other PSBs by 51 per cent or more of capital share ownership.

● **State Level Public Enterprises (SLPEs):** companies with 51 per cent or more of their capital shares owned by the state government or other SLPEs.

Depending on their financial performance and progress, the Department of Public Enterprises to Public Sector Enterprises has given the status of **Maharatna, Navratna, or Miniratna to CPSEs.**

a. **Maharatna companies:** it is the highest status that a company may achieve. So, to qualify for this status, a corporation must meet specific criteria. At first, it has to be a Navratna company. Secondly, for achieving this status, the company should have average yearly sales of more than Twenty thousand crores for the past three years and an average yearly net worth of more than Ten thousand crores for the last three years. Maharatna firms have complete discretion over investment decisions up to 15 per cent of their net worth in a scheme.

b. **Navratna companies:** for a company to have a status of Navratna, it must be a Miniratna Category-I firm with Schedule A status. It should also have a score of at least 60/100 based on six criteria: net profit, net worth, total labour cost, the total cost of production, cost of services, PBDIT, and capital employed. These companies can invest 15 per cent of their worth without seeking government approval.

c. **Miniratna companies:** this type of CPSEs has additional two sub-categories:

- **Miniratna Category-I:** The Companies must have earned a profit in each of the previous three years, having a pre-tax profit of 30 crores or even more in at least one of the three years.
- **Miniratna Category-II:** The companies must have continuously earned profits for the previous three years and positive net worth. These companies can use up to 50 per cent of their net worth without requesting the government's consent.

Objectives of public sector

Though the reasons for the expansion of public sector in different countries, may differ, the United Nations has clearly given a comprehensive understanding of the reasons why the governments have set up the public sector.

Following are some of the objectives as indicated by the United Nations:

1) Government must supply the developmental initiative. The purpose of the future development will require the stimulus of the government on the demand side and its determined direct participation in the economic and social works. Such an initiative may come in the form of initiative for investment and promotion' of industrial activity, initiative for developing infrastructure and basic activities or the government may supply the required managerial and technical capabilities to the enterprise.

2) Government has specific priorities and compulsions which are unlikely to be realized if they are left entirely to the private enterprise.

3) Government may be able to supplement the efforts of the private sector in import substitution and export promotional activities.

4) The government may wish to promote savings faster by generating resources through prices charged by public sector enterprises. This is being considered as more convenient method of resource mobilisation rather than exclusive resort to measure of borrowings from public.

5) The government may introduce public sector enterprises as an agency of development in an under-developed region because the private sector has a tendency to entrust their units in already developed region.

6) In many cases, the governments of the developing countries have certain ideological objectives such as promotion of economic and social justice, which also necessitates a greater role for public sector.

The state of Indian economy, at the time of Independence which is basically agrarian, with a weak industrial base, low level of savings and investment, near absence of infrastructural facilities, made it imperative for the government to step in to all sectors of the economy. Moreover there still exists considerable - inequalities of income, low level of employment opportunities, serious regional imbalances in economic development and inadequate trained manpower. Given the types and ranges of problems faced by the economy in the economic, social and strategic fronts, it became a pragmatic compulsion to expand the role of public sector as an instrument of self-reliant economic growth so as to develop a sound agriculture and industrial base, diversify public economy and overcome the socio-economic backwardness.

The need for public sector arises to meet the following objectives:

i) to help in the rapid economic growth and industrialisation of the country and create the necessary infrastructure for economic developinent;

ii) to earn return on investment and thus generate resources for development,

iii) to promote redistribution of income and wealth;

iv) to create employment opportunities;

v) to promote balanced regional development;

vi) to assist in the development of small-scale and ancillary industries;

vii) to promote import substitution, save and earn foreign exchange for the economy.

Expansion of public sector and its impact on the Economy

In India, before Independence, State intervention in economic and commercial activities was confined to a few areas like railways, ports, posts and telegraphs ordnance factories etc. Since Independence, the range of activities and products of public sector have expanded tremendously. It includes making of steel, mining of coal, ferrous and nonferrous minerals, extraction and refining of crude oil,, manufacturing of tools, machines, electrical, building equipment, telecommunications, cement, textiles, newsprint, and many other consumer, trading and service activities. These activities dominate the national economy in several sectors especially in the production of basic metal industries, fertilisers, and fuel. The public sector's contribution to the total industrial production constitutes more than 50% in many metals, steel and coal, while it is 100% in the area of petroleum, copper, lead and electromechanical teleprinters.

In the last two decades there has been continued large investments in public sector. This was done with a view to accelerating the growth of core sectors of the economy, to serve the equipment needs of the strategically important sectors like railways, telecommunications, defence etc., and alsd to achieve a certain degree of self-sufficiency in critical sectors. There has been growth of consumer oriented industries in public sector like drugs, hotels, food industries etc. This was done to ensure easier availability of vital articles of mass consumption and to check prices of important products. There are a large number of public enterprises operating in national and international trade, consultancy, contract and construction activities, communications etc.

The public sector coverage has of late enlarged and a sizeable proportion of its outlay has been directed towards the various public enterprises. At the commencement of the First Five Year Plan, there were only five Central Government enterprises and the number rose to 244 by March 1990. The growth of public sector enterprises has been phenomenal not only in terms of investment, but also in terms of production, profitability and range of activities. The imperatives of bringing about accelerated economic growth of the country as well as achieving socio-economic goals under planned development has given fillip to the expansion of public sector.

Role of PSUs in India:

- The share of public sector enterprises has increased from 8% in 1960-61 to 25% in 2011-12, which a huge increase in terms of economic growth.
- The presence of Public Sector Enterprises in the area of mineral and metal extraction, steel, power, coal and petroleum has been remarkable even today.
- Some sectors like coal and mining are still with the Government with a larger share and control.
- Public sector Enterprises has helped in shaping the diversification of Indian industries at the time of need and has been successful.
- In the sectors of steel and fertilizer, also the Public Sector Enterprises has played a leading role and has still held the sector for the overall economic growth.
- Public sector Enterprises have helped in channelization of savings in the country and their investment at a later stage.
- Public Sector Enterprises have helped in reducing economic and regional disparities.
- Public sector Enterprises provided the required infrastructure needed for the economic growth of the country.
- Public Sector Enterprises have given a path for many sectors and strengthened the economic structure of the country.

Problems/ issues associated with PSEs

- In Public Sector Enterprises, the level of profit is low as compared to the private sector.
- In many cases, the actual cost of the planned project exceeds the original cost due to mismanagement and Bureaucratic hurdles.
- Excessive political interference has been one the issue of non-performance of the Public Sector Enterprises.

- For the completion of any project, the Public Sector Enterprises normally takes much more time than expected.
- Lack of research and development in Public Sector Enterprises is also one of the big issues which need to be looked upon.
- Lake of skilled manpower in the Public Sector Enterprises is also one the important issue due the which the production and efficiency have decreased.
- The Public Sector Enterprises in most of the cases not able to utilize its full potential.
- Lack of management and planning in Public Sector Enterprises is creating may issues and challenges.

Liberalisations of Indian Economy- 1990's

Meaning of Liberalisation

Liberalisation is the process or means of the elimination of control of the state over economic activities. It provides a greater autonomy to the business enterprises in decision-making and eliminates government interference.

Liberalisation was begun to put an end to these limitations, and open multiple areas of the economy. Though some liberalisation proposals were prefaced in the 1980s in areas of export-import policy, technology up-gradation, fiscal policy, and foreign investment, industrial licensing, and economic reform policies launched in 1991 were more general. There are a few significant areas, namely, the financial sector, industrial sector, foreign exchange markets, tax reforms, and investment and trade sectors that gained recognition in and after 1991.

Economic Liberalization:

- Economic liberalization is relaxing the government regulations in a country to allow the private sector companies to operate business transactions with comparatively fewer restrictions.
- With reference to the developing countries, this term denotes to opening of economic borders to multinationals and foreign investments.

Before Liberalization

The Indian government sought to encourage industrialization by directing investment toward the production of capital goods and by restricting imports. At the same time, it tried to help its poorest citizens, who lived in rural areas. As a result, the return on capital in the public sector during the 1980s was only 1.5 percent.

The private sector suffered under other restrictions, including the following:

- Import restrictions that did not permit the free exchange of goods and knowledge
- Antitrust laws that did not allow businesses to grow
- Public monopolies that operated very inefficiently
- The License Raj, which complicated the process of opening new businesses

So it is not surprising that GDP per capita grew at an annual rate of only 3.5 percent in the years prior to the 1980s. Considering how poor India was, even in the following decade, (GDP per capita was $447 in 1985), the growth rates were alarming. They were not high enough to lift the population out of poverty.

Like many other countries that no are unable to produce enough to finance their government projects through taxation, India financed itself with public debt. In 1991, the public debt reached $70 billion and India was on the verge of declaring bankruptcy. To avoid this disastrous last resort, India was forced to take immediate action to fix the problem.

Liberalisation in India

Since the adoption of the New Economic Strategy in 1991, there has been a drastic change in the Indian economy. With the arrival of liberalisation, the government has regulated the private sector organisations to conduct business transactions with fewer restrictions.

For the developing countries, liberalisation has opened economic borders to foreign companies and investments. Earlier, the investors had to encounter difficulties to enter countries with many barriers.

These barriers included tax laws, foreign investment restrictions, accounting regulations, and legal issues. Economic liberalisation reduced all these obstacles and waived a few restrictions over the control of the economy to the private sector.

Objectives of Liberalisation in India

- To boost competition between domestic businesses
- To promote foreign trade and regulate imports and exports
- To improve the technology and foreign capital
- To develop a global market of a country
- To reduce the debt burden of a country
- To unlock the economic potential of the country by encouraging the private sector and multinational corporations to invest and expand

- To encourage the private sector to take an active part in the development process
- To reduce the role of the public sector in future industrial development
- To introduce more competition into the economy with the aim of increasing efficiency

Reforms under Liberalisation

- Deregulation of the Industrial Sector
- Financial Sector Reforms
- Tax Reforms
- Foreign Exchange Reforms
- Trade and Investment Policy Reforms
- External Sector Reforms
- Foreign Exchange Reforms
- Foreign Trade Policy Reforms

Impact of Liberalisation

Positive Impact of Liberalisation in India

1. **Free flow of capital:** Liberalisation has enhanced the flow of capital by making it affordable for the businesses to reach the capital from investors and take a profitable project.
2. **Diversity for investors:** The investors will be benefitted by investing a portion of their business into a diversifying asset class.
3. **Impact on agriculture:** In this area, the cropping designs have experienced a huge change, but the impact of liberalisation cannot be accurately measured. Government's restrictions and interventions can be seen from the production to the distribution of the crops.

Negative Impact of Liberalisation in India

1. **The weakening of the economy:** An enormous restoration of the political power and economic power will lead to weakening the entire Indian economy.

2. **Technological impact:** Fast development in technology allows many small scale industries and other businesses in India to either adjust to changes or shut their businesses.
3. **Mergers and acquisitions:** Here, the small businesses merge with the big companies. Therefore, the employees of the small companies may need to enhance their skills and become technologically advanced. This enhancing of skills and the time it might take, may lead to non-productivity and can be a burden to the company's capital.

Economic Reforms during Liberalisation

Several sectors were affected by the impact of Liberalisation. A few economic reforms were:

- Financial Sector Reforms
- Tax Reforms / Fiscal Reforms
- Foreign Exchange Reforms / External Sector Reforms
- Industrial Sector Reforms

How Do We Know Whether India's Economic Development Was the Result of Liberalization Policies?

Although the economy grew after liberalization, one could argue that this is a coincidence and that the growth was really a belated effect of the previous industrial policies. It could also be argued that economic growth would have occurred even without any policy changes.

To determine whether the improvements in the Indian economy were a result of liberalization reforms, we apply the synthetic-control method. This is a statistical method in which researchers compare a unit that received a treatment with a combination of units that did not receive the treatment. In this case, the unit is a country and the treatment is liberalization policies. We compare the treated unit to countries that did not implement liberalization policies. The synthetic control creates a synthetic unit—an imaginary country that never received the treatment. The synthetic unit permits us to consider how certain variables would have developed in the absence of the treatment.

We use GDP per capita as the indicator of economic growth. If the GDP per capita of the synthetic India behaves the same way as that of the real India, we cannot conclude that liberalization caused the exceptional growth of the 1990s.

Short and Long Essay type Questions for Self-Assessment:

1. Give two reasons as to why the Indian industry was not able to expand during the colonial rule?
2. Why did some industrialists in nineteenth-century Europe prefer hand labour over machines?
3. How did the East India Company procure regular supplies of cotton and silk textiles from Indian weavers?
4. Imagine that you have been asked to write an article for an encyclopaedia on Britain and the history of cotton. Write your piece using information from the entire chapter.
5. Why did industrial production in India increase during the First World War?
6. Mention the reasons for change in Indian Business and its Styles in last 100 years?
7. Chorological explain how did the East India Company Ventured in India?
8. Give a historic development of Banks and Railways in India"
9. State the conditions of Indian Economy and Business during WWI & WWII?
10. How did India got its Independence and What were the salient features of Industrial Planning: 1947-1960?
11. State the Origin and Evolution of PSU's in India?
12. Why did India Liberated its Economy in 1991's?
13. Distinguish between public sector and public enterprise.
14. What steps were taken during the pre-Independence period towards ' promoting State intervention in economic activities?
15. What makes India an attractive market?
16. What is the impact of international business in India?
17. What are the problems in India that need to be solved?
18. Why is it difficult to do business in India?
19. State 'the objectives for the fulfilment of which the public sector has evolved in India.

20. How Do We Know Whether India's Economic Development Was the Result of Liberalization Policies?

Scan the below **QR codes** for Free Open Access Resources for MCQ's & Video etc. on

Unit 3: Evolution of Indian Business

Video on East India Company	**MCQs on East India Company**
Video on WWII	**MCQs on WWII**
Video on Liberalisations of Indian Economy- 1990	**MCQs on Liberalisations of Indian Economy- 1990**

Unit 4: Industries

Unit Outcome:

After reading this Unit you should be able to-

- analyse the contribution of various sectors in Indian Business.
- summarise Global Business and Indian Business Scenarios

Introduction

Industry refers to an economic activity that is concerned with production of goods, extraction of minerals or the provision of services. Thus we have iron and steel industry (production of goods), coal mining industry (extraction of coal) and tourism industry (service provider).

Classification of industries

Industries can be classified on the basis of raw materials, size and ownership.

1. Raw Materials: Industries may be agro based, mineral based, marine based and forest based depending on the type of raw materials they use. Agro based industries use plant and animal based products as their raw materials. Food processing, vegetable oil, cotton textile, dairy products and leather industries are examples of agro-based industries. Mineral based industries are primary industries that use mineral ores as their raw materials. The products of these industries feed other industries. Iron made from iron ore is the product of mineral based industry. This is used as raw material for the manufacture of a number of other products, such as heavy machinery, building materials and railway coaches. Marine based industries use products from the sea and oceans as raw materials. Industries processing sea food or manufacturing fish oil are some examples. Forest based industries utilise forest produce as raw materials. The industries associated with forests are pulp and paper, pharmaceuticals, furniture and buildings.

2. Size: It refers to the amount of capital invested, number of people employed and the volume of production. Based on size, industries can be classified into small scale and large scale industries. Cottage or household industries are a type of small scale industry where the products are manufactured by hand, by the artisans. Basket weaving, pottery and other handicrafts are examples of cottage industry. Small scale industries use lesser amount of capital and technology as compared to large scale industries that produce large volumes of products. Investment of capital is higher and the technology used is superior in large scale industries. Silk weaving and food processing industries are small scale industries.

Production of automobiles and heavy machinery are large scale industries.

3. Ownership: Industries can be classified into private sector, state owned or public sector, joint sector and cooperative sector. Private sector industries are owned and operated by individuals or a group of individuals. The public sector industries are owned and operated by the government, such as Hindustan Aeronautics Limited Activity Give some examples of agro based industries.

Joint sector industries are owned and operated by the state and individuals or a group of individuals. Maruti Udyog Limited is an example of joint sector industry. Co-operative sector industries are owned and operated by the producers or suppliers of raw materials, workers or both. Anand Milk Union Limited and Sudha Dairy are a success stories of a co-operative venture.

Industrialization

Industrialization has an important role to play in the economic development of the under-developed countries like India with huge man power and large and varied resources.

An economy is made from the composition of many different industries like agriculture, service, engineering, manufacturing etc. These industries provide so many benefits to the economy i.e. employment generation, production of goods and services, equal income distribution in the whole economy. Service sector contributes 60% of the Indian GDP while agriculture gives around 14% of GDP.

Traditionally, India had six major industries. These **were Iron and Steel, Textiles, Jute, Sugar, Cement, and Paper.** Further, four new industries joined this list namely, Petrochemical, Automobile, Information Technology (IT), and Banking & Insurance. These industries are important for India's economy. Therefore, understanding the growth of these industries can offer a good insight into the relationship between their growth and government policies.

An economy is made from the composition of many different industries like agriculture, service, engineering, manufacturing etc. These industries provide so many benefits to the economy i.e. employment

generation, production of goods and services, equal income distribution in the whole economy. Service sector contributes 60% of the Indian GDP while agriculture gives around 14% of GDP.

Some important sectors of the Indian economies is given below:

1. Cotton and Textile Industry: Indian cotton industry is the broad based industry which accounts for about 12% of industrial production, 4% of GDP, and employment to 35 millions of skilled and semi-skilled workers and 12% of total export earnings. The first modern cotton mill was established at Kolkata in 1818. Textile industry is labour intensive industry. It provides employment to 45 million peoples. It has major presence in unorganized sector in India. India produced 48194 million kgs of cloth every year in 2014-15.

2. Iron and Steel Industry: This industry took birth in India in 1870 when Bengal iron Works Company established its plant in West Bengal. In 1974, The Steel Authority of India Limited (SAIL) was established and made responsible for the development of the steel industry in the country. Indian ranked at the 4th position in the production of crude steel (85 million tonnes) in the world during 2014 after China, Japan and USA.

3. Fertilizer Industry: India today is the 3rd largest producer of nitrogenous fertilizers in the world only behind china and USA. India is meeting 80% of its urea requirement through indigenous production but is largely import dependent for meeting the phosphorous and potassium requirement. Total domestic production is given in the picture below:-

4. Cement Industry: The production of cement was started in 1904 at the madras but the foundation of stable Indian cement industry was laid in 1914 when Indian Cement Company limited started production in Gujarat. As on March 2015 there are 185 big cement plant of installed capacity of 325 million tones are operating in the country. In the year 2015-16, India produced 289 million tones cement in the country.

5. Coal Industry: Credit to invent coal in India is given to two English men 'Sambhar and Hatley'. They started mining coal in Raniganj district of west Bengal in 1814. Coal accounts for 67% of the country's commercial requirements. As on 2014-15 Indian coal production was 486 million tones and import was 138 million tones. India makes 58% electricity from coal.

6. Gems and Jewellery Industry: Gems and Jewellery sector contributing about 12% of India's total merchandise exports made it as the largest cutting and polishing centre of diamonds in the world. India's

share in this market is about 80% of the world market. Indian export of Gems and Jewellery was around $31 billion in 2015-16.

7. Petroleum Industry: According to India 2015: there are 22 refineries, 17 in the public sector, 3 in private sector and 2 in joint venture. All these refineries have refining capacity of 220 million tonnes per annum. As we now that India imports 20% of its total consumption.oil and gas constitute around 45% of the total energy consumption of India.

8. Chemical Industry: Chemical industry is the one of the oldest industry of India. It includes petrochemical, fertilizers, paints and varnishes, gases, soap, perfumes, toiletries and pharmaceuticals. This industry covers more than 70,000 commercial products. It contributes around 3% of Indian GDP. The chemical and petrochemicals sector in India constitutes 14% of the domestic industrial activity.

9. Automobile Industry: automobile industry was delicensed in 1991 after the implementation of new economic policy. However the passenger car was delicensed in 1993. At present 100% FDI is permitted in this sector under the automatic route. This industry given employment to 13 million peoples roughly and gives 6% to the GDP of India.

10. Leather Industry: Leather and its products are top 10 export earners for the country. It is one of the traditional products of India. The small scale, cottage and artisan sector accounts for more than 75% of the leather production in India. This sector provided employment to around 3 million peoples out of which 30% are women.

11. Sugar Industry: It is very crucial agriculture based industry. This industry is the second largest industry after the textile & cotton based on the agriculture. As on 2014, there were 680 installed sugar factories in the country as against 138 in 1951-52. India is the largest consumer of sugar and second largest producer of sugar with a share of 15% of the world count. Total production of sugar was around 28 million tonnes in 2015-16 in the country.

Importance of Industries

i) Rapid growth of income

The first and the foremost argument in favour of industrialization is that it can provide a base for rapid growth of income. It is because of the fact that that productivity rates are higher in industry than in agriculture. Industries mainly depend on man's effort while agriculture is restricted by the limiting factor of the nature. It is also seen that the industrialized nations have a high per capita income.

ii) Employment

With the increasing population agriculture is unable to provide for employment. Hence it is very important to set up industries to absorb this surplus labour. Hence industries can solve the problem of unemployment.

iii)Exploitation of resources

Industries are capable of utilizing all the resources present in the economy. They can even make use of scraps and waste materials. Agriculture cannot make use of all the resources.

iv)Foreign exchange

India cannot earn adequate foreign exchange from the exports of its primary products. It is because of the fact that the demand for such products is very low in other countries. Industrial exports need to be added to the primary products.

v)Development of agriculture

The requirements of agriculture are met by the industries in large. Agriculture requires improved farm machinery, chemical fertilizers and pesticides. It also requires storage and transport facilities. All these are adequately provided by our own industries.

vi)Balanced development

Ours is an unbalanced economy. Our greater dependence on agriculture has made us poor. With the industrialization in the economy this disparity can be removed. If agriculture is the backbone of the economy, industry is the energy.

vii)Self-sustained growth

The rapid development of capital goods industries promote the growth of agriculture, transport and communication. It also enables the country to produce a variety of consumer goods in large quantities and at low costs. It also eliminates our dependence on other countries for the supply of essential goods.

viii)Nation's security

Dependence on foreign countries for defense goods is always risky affair. We do not have good relations with our neighbouring countries especially Pakistan and China.

Factors of Industrial Location

Introduction

The factors affecting the location of industries are the availability of raw materials, land, water, labour, power, capital, transport and market. Industries are situated where some or all of these factors are easily available.

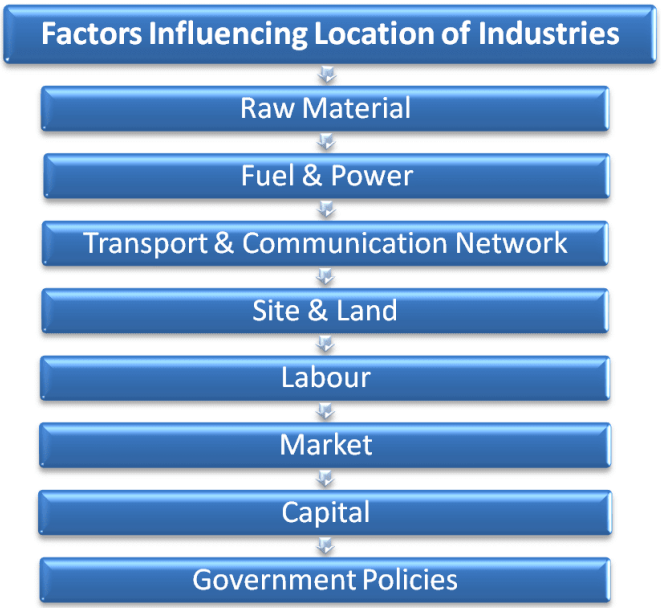
Sometimes, the government provides incentives like subsidized power, lower transport cost and other infrastructure so that industries may be located in backward areas. Industrialization often leads to development and growth of towns and cities. An Industrial Activity is always followed by the Urbanisation .Sometimes industries are located in or near the cities to get the services of Banking, Insurance, Transport & financial Advisers etc .

Location of Industry's concern may be a simple village workshop owned by a single man or a highly complex corporation. When an industrialist sets out to find a suitable location for his industry, he has to assess various factors, which give him more advantages. Some of the factors that influence a location of industries are as follows:

The following image explain about the factors influencing location of industries

The eight factors influencing location of industries are follows:

1. **Raw Material**
2. **Fuel & Power**
3. **Transport & Communication Network**
4. **Site & Land**
5. **Labour**
6. **Market**
7. **Capital**
8. **Government Policies**



Now let's discuss above factors influencing location of industries.

1. Raw Material

Location of Industry's plant / Industrial unit must be situated in an area where plenty of raw materials exist & are easily available. This reduces the cost of transport. This is true in case where raw materials are heavy and bulky.

2. Fuel & Power

Location of Industries earlier were situated near the coal fields. In recent years, Electricity gives more freedom. Electricity can be easily transmitted through grid networks to desired industrial sites & petroleum & natural gas can be transported through pipelines. So Industries have more freedom in case of power & fuel.

3. Transport & Communication Network

Location of Industries must have best transport & communication network. Good transportation & communication system helps to curtail the cost & make the action of material easier. A manufacturing unit producing bulky & heavy goods should be located near the railway line while a unit producing export items should be located near a port town. Communication is also equally important as such facilities are useful for quick marketing of goods.

4. Site & Land

Location of Industries require large accessible areas of cheap flat land on which to build their factories. Site selection also takes into account the topography & soil structure of land. Today with new modern building techniques the limitation of soil can be overcome. However, if more improvement is required it result in more cost.

5. Labour

Location of Industries require adequate labour force whice is equally essential in the functioning of an industry. There is always a cheap and large worker team are required for manufacturing industries. Now industries have to locate where high-skilled labours are available. For Eg. Volkswagen company in Germany includes in it the factory sites, assembling units, workshops, repairing units, administrative centers, offices, etc., thus employing huge quantity of labour force.

6. Market

Location of Industries is essential for selling the product easily & quickly in the market. When goods are perishable, market must be near to industry. The industries that produce high-tech goods, which are lightweight and economical in transport, such types of industries don't require market.

7. Capital

Location of Industries the capital is the basic requirement for establishment of manufacturing unit. The amount of financial investments decides the scale of industrial functioning. Today not only manufacturing but also its marketing requires a lot of capital. The role of financial institutes is going on expanding. Capital investment has no national boundaries.

8. Government Policies

Location of Industry's government polices plays an important role. Government is encouraging the industrialist by providing commercial space outside of the city. It also provides land for industrial development at cheap price. It uses positive & negative incentives to motivate entrepreneur & promoters to choose a particular location.

Webers Theory of Industrial Location

Introduction

Alfered Weber a German economist was the first economist who gave scientific exposition to the theory of location and thus filled a theoretical gap created by classical economists. He gave his ideas in his Theory of Location of Industries' which was first published in German language in 1909 and translated into English in 1929. His theory, which is also known as 'Pure Theory' has analytical approach to the problem.

The basis of his theory is the study of general factors which pull an industry towards different geographical regions. It is thus deductive in approach. In his theory he has taken into consideration factors that decide the actual setting up of an industry in a particular area.

Factors affecting the location of an industry

The location of an Industry depends upon many factors. However, the following are the common factors for deciding the location of industries.

1. **Availability of land.**

2. **Availability of freshwater.**
3. **Skilled, Semi-skilled and Unskilled labour.**
4. **Availability of raw materials.**
5. **Government Policies.**
6. **Market facility.**
7. **Electricity.**
8. **Transportation facilities etc.**

However, all the aforesaid factors are not available simultaneously at a place and impact equally. For this reason, many Geographers and Economists tried to find the impact of these factors for the optimum location of an industry.

Alfred Weber's theory of industrial location

Alfred Weber, a German Economist gave the principle of least transportation cost for industrial location. He tried to find the least cost location of the manufacturing industry by taking into account three important factors namely, Transportation cost, Labour cost and Agglomeration cost. To reduce the complexities of real-world, he took certain assumptions.

Assumptions of Weber's industrial location theory

- The Geographical area of industry is physically, technologically, culturally and politically uniform.
- Both the sources of raw materials and consumption centres are known.
- The transportation cost of goods is dependent on weight and distance.
- The workforce or labour are geographically fixed.
- Due to high competition, there is perfect competitive pricing among the industries.

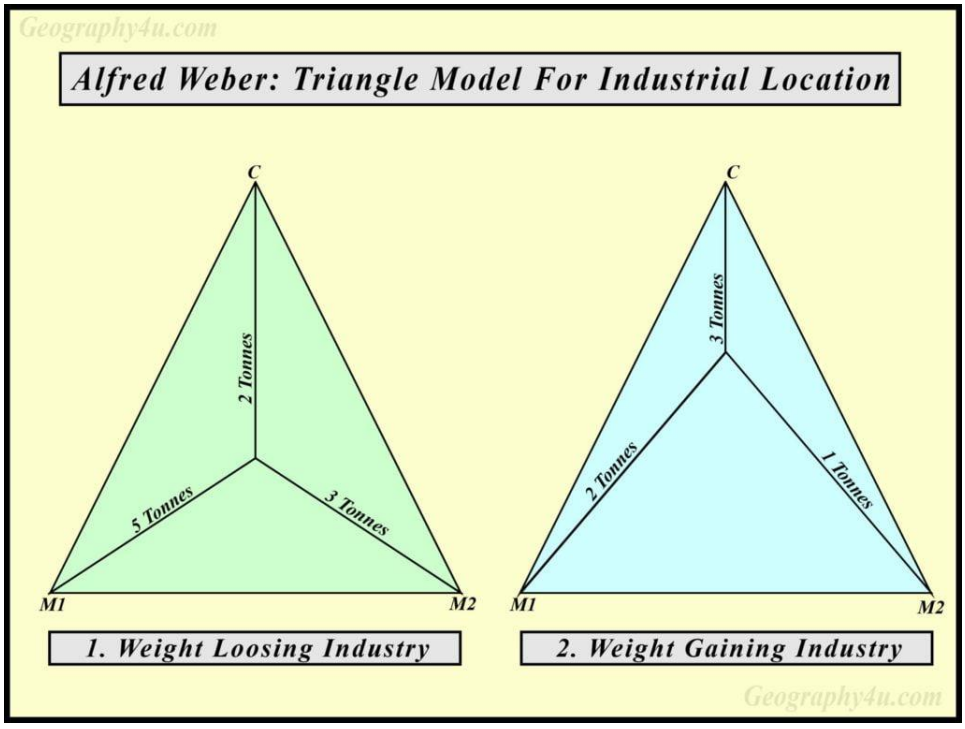
Weber's Problems:

Weber was faced with many serious problems. He wanted to find out why did industry moved from one place to another and what factors determined the movement. After considerable thinking he came to the conclusion that causes be responsible **for this migration could be Regional Factors Primary Causes and Agglomerative and deglomerative factors (Secondary Factors).**

In so far as regional factors were concerned these, among other things, included cost of the ground, buildings, machines, material, power, fuel, labour, transportation charges and amount of interest that the capital would have earned.

1. Impact of transportation cost on the location of an industry

According to weber's industrial location theory, if the raw materials are weight-losing or impure then the industries should be shifted towards the region of raw material. For instance, Sugar industry, Steel industry, Jute industry etc. On the contrary, if the raw material is weight gaining or pure then the location of an industry should be between the region of raw materials and the market. Apart from these, if the raw material is universally available then the industry should be shifted near the market.



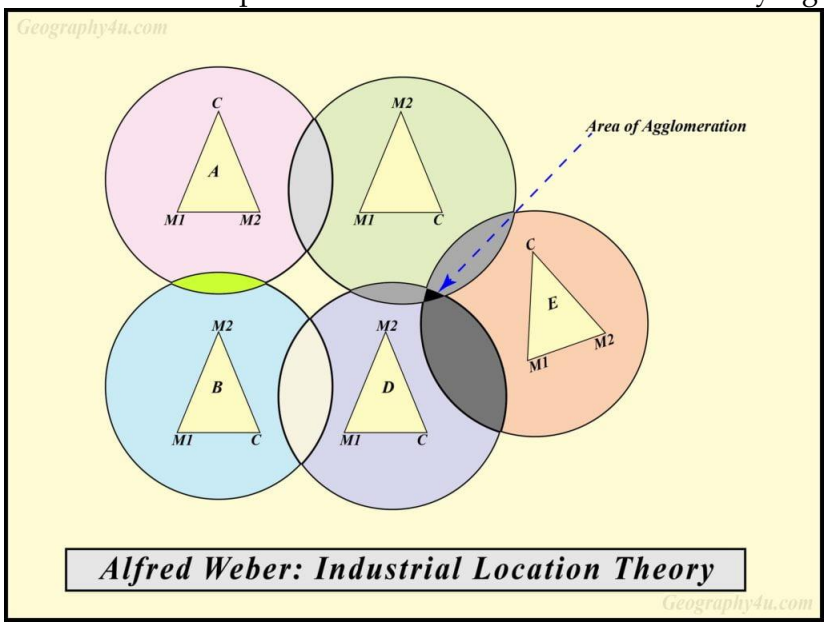
Weber used the location triangle models for the manufacturing industries which use more than one raw material. According to Weber's triangle model, the manufacturing industries are divided into two groups namely, weight-gaining industry and weight-losing industry. Therefore, the Iron and Steel industry, Cement industry etc. are come under the weight-losing industry.

2. Impact of labour cost on location of an industry

According to Weber's least labour cost theory, if the labour cost is very cheap at a specific region then the industry would be shifted from the least transportation cost to least labour cost provided the saving in labour cost would be greater than any additional transport cost. The labour cost is the major factor for the development of the cotton textile industry at the Alabama City of U.S.A and readymade garment industry in many cities of India.

3. Impact of Agglomeration on the location of an industry

According to Weber's agglomeration theory of industrial location, sometimes infrastructural factors also influence the location of an industry more than the transportation cost and labour cost as many light industries and footloose industries are not able to invest in structural facilities. As per this theory, the industry should be shifted towards the agglomeration if the agglomeration factor is more powerful than the combined factors of labour cost and transportation cost. Agglomeration helps in mutual sharing of services and specialization among the industries. For instance, the development of software industries, electronic industries and readymade industries in the metropolitan regions (Bangalore-Chennai-Coimbatore industrial region) of India.



Criticism of Weber's theory of industrial location

Weber's Theory of Industrial location has been put to several criticisms.

Some such points of criticism are:

1. Unrealistic Assumptions:

According to critics of this theory, Weber has unrealistically over-simplified the theory of industrial location. Many assumptions in the theory are unrealistic. According to them Weber has taken only two elements for determining the cost of transportation namely weight and distance. He has not given due to place to the type of transport, quality of goods to be transported, topography, character of region etc.

2. Labour Centres Notion Defective:

Weber's ideas about labour centres have also not been accepted. He has started with the presumption that there are fixed labour centres with unlimited supplies of labour in each of them. Obviously both these assumptions are not correct. There cannot be fixed labour centres, because each industry creates new labour centres. Similarly there can never be unlimited supplies of labour in any centre.

3. Ideas about Fixed Points of Consumption:

It is argued that Weber's this idea does not work well with the market conditions in a competitive structure. Consumers are always scattered all over the country and thus consumer centres always shift with a shift in industrial population. There can therefore be no fixed point of consumption.

4. Vague Generalisations:

Weber, while expounding his theory of industrial location, has introduced, it is believed, certain vague generalisations. He has given no due place to non-economic factors of industrial location, which play a big role in this regard. Who can deny that there are certain historical and social forces which go a long way while deciding industrial location of an industry, but he has completely ignored them, which has made his theory very unrealistic.

5. Not a Deductive Theory:

Andreas Predohl is of the view that Weber's Theory is only selective and not deductive. According to him he has made an artificial distinction between general and special factors which influence location of an industry. Such a distinction, in fact, has no logical significance. According to Weber transport costs and labour costs are only general costs. He has failed to explain why capital costs and management costs cannot be included or covered under it.

6. Defective Method of Analysis:

Weber has tried to classify material into ubiquities and fixed material. Again the division is arbitrary. According to Robinson who does not know that in actual practice materials are drawn from a large number of alternative fixed points.

7. Overburdened with Technical Considerations:

Dennison is of the view that Weber's theory is heavily over burdened with technical considerations. It has not laid due stress on costs and prices and has over stressed technical coefficients. According to him, "The most important criticism about Weber's analysis is that it is lamentably removed from all considerations of costs and prices and it is formulated mainly in terms of technical coefficients."

Utility of the Theory:

No doubt theory suffers from some serious defects, yet it cannot be denied that it has its own value, importance and significance. It is primarily because the alternatives given are neither comprehensive nor complete. So far it is the only theory which is capable of universal application.

Andreas Predohl has also given his ideas about industrial location and has come to the conclusion that every change of industrial location involves a change in the combination of means of production. But this theory obviously does not provide any guidelines for locating new industries.

Conclusion: Despite all drawbacks, the iron and steel industry at Jamshedpur (Tata steel) in India and Essen in Germany can be better understood with Weber's theory of industrial location. Also, the manufacturing industries are becoming more complex day-by-day due to technological advances. Moreover, the industries of the 21st century focus more on semi-finished goods rather than raw material. Today, many firms begin with semi-finished goods.

Iron and Steel Industry- India

Introduction

The iron and steel industry in India is among the most important industries within the country. India surpassed Japan as the second largest steel producer in January 2019. As per world steel, India's crude steel production in 2018 was at 106.5 tonnes (MT), 4.9% increase from 101.5 MT in 2017, means that India overtook Japan as the world's second largest steel production country. Japan produced 104.3 MT in year 2018, decrease of 0.3% compared to year 2017. Industry produced 82.68 million tons of total finished steel and 9.7 million tons of raw iron. Most of the iron and steel in India is produced from iron ore.

Modern industrialization is synonymous with the development of the iron and steel industry. The extent of industrialization in any country is usually measured in terms of the per capita consumption of steel. This is because all other industries have to depend on steel out of which machinery of any kind is manufactured.

As soon as the process of machine production gets momentum, the rate of industrialization gets strengthened. Thus, in the dynamics of industrial growth in any country, the growth of the iron and steel industry is undoubtedly crucial.

India surpassed Japan as the second top steel producer in January 2019. India was the world's second-largest steel producer with production standing at 111.2 million tonnes (MT) in 2019.

In FY21, the production of crude steel and finished steel stood a 102.49 MT and 94.66 MT, respectively. According to CARE Ratings, crude steel production is expected to reach 112-114 MT (million tonnes), an increase of 8-9% YoY in FY22. The consumption of finished steel stood at 93.43 MT in FY21.

Exports and imports of finished steel stood at 10.79 MT and 4.75 MT, respectively, in FY21. In April 2021, India's export rose by 121.6% YoY, compared with 2020. In FY20, India exported 8.24 MT of finished steel.

The growth in the Indian steel sector has been driven by the domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is modern with state-of-the-art steel mills. It has always strived for continuous modernization of older plants and up-gradation to higher energy efficiency levels.

Significance of iron & steel industry

- It is the **index of modernity,** the development of the steel industry has a direct link with the development of a country.
- Iron and steel industry act as a **backbone for the physical infrastructure development of the country**

- Iron and steel industry **provides strong forward-backward linkage for the industrial infrastructure** of a country.
- Iron and steel industry is **important for the regional development** of the place where these industries are located.
- Iron and steel industry plays a **major role in the development of many other industries like the automobile industry.**
- Iron and steel industry has generated **huge employment** especially in backward areas where these industries are located.
- Iron and steel industry gave **boosts to the transportation sector** like road, railway, airway, and waterways.
- Iron and steel industry is **important for the growth of the research and development sector in India.**

Growth and development of the Iron and Steel industry

- Indians are known for the art of smelting iron in early times e.g. Mehrauli pillar. But first Iron and steel industry unit on modern lines was set up in 1830 at Porto-Nova (Tamil Nadu) but was not successful. Other attempts in the second half of the 19th century met the same fate.
- The real beginning of Iron and steel industry was in 1907 with setting up of TISCO plant at Jamshedpur. It was set up in the confluence of Subarnarekha and Kharkai rivers in 1907. Since then, Indian iron and steel industry made a great stride to reach its present stage.
- The Indian Iron and Steel Company (IISCO) were set up in 1919 at Burnpur followed by the setting up of Mysore Steel Works at Bhadravati (now Visveswaraya Iron and Steel Works) in 1923.

Rapid growth after independence

- The development of Iron and Steel industry was envisaged during first five year plan (FYP), but it was **during second FYP that three integrated projects were started at Bhilai (with erstwhile USSR technical and financial support), Rourkela (with Germany assistance) and Durgapur (with U.K assistance)**
- During **third FYP, Bokaro steel plant was started (production started in 1972)**

- Three more Steel plants planned during fourth FYP was started to meet the requirement of steel. These plants were:
- **Salem Iron and Steel Plant in Tamil Nadu**
- **Vizag Iron and Steel Plant in Andhra Pradesh**
- **Vijayanagar Iron and Steel Plant** (Hospet district in Karnataka)
- **Steel Authority of India (SAIL) Established in 1973,** SAIL is a government undertaking and is responsible for the management of steel plants at Bhilai, Durgapur, Rourkela, Bokaro and Bumpur and also the Alloy Steel Plant at Durgapur and Salem Steel Plant.
- The management of Indian Iron and Steel was taken over by Government on 14th July, 1976. **Visweswaraya Iron and Steel Limited were also taken over by SAIL in August 1989.**

Location factors of the iron and steel industry

Iron and steel industry uses large quantities of heavy and weight losing raw materials and **its localization is primarily controlled by the availability of raw materials**. **However, other factors do play role in the location of the Iron and steel industry which are discussed below:**

- **Raw material**

Iron and Steel industry **uses a large quantity of heavy and weight losing raw material, so its location is primarily guided by the availability of raw material.**

Most of the **iron and steel plants of India such as Jamshedpur, Burnpur, Durgapur, Rourkela, Bhilai, and Bokaro are located in Jharkhand, West Bengal, Orissa and Chhattisgarh**. These states are **very rich in coal and iron ore deposits** and are important producers of these materials.

Visveswaraya Iron and Steel Works at Bhadravati is a major exception which is located far away from the main coal-producing areas of the country. Earlier, this centre was depending upon charcoal which was available locally. Now it uses hydroelectricity from the Sharavati Power Project.

The other raw materials used in this industry are manganese, limestone, dolomite, chromite, silica, etc. These raw materials are used in small quantities and can be transported without much difficulty. Hence, they do not materially affect the localization of this industry.

- **Market**

Another important factor influencing the localization of the iron and steel industry is the **availability of market**. Steel products of an integrated steel plant are quite bulky and it has been estimated that the **transport cost per tonne-kilometer of steel product is about three times more than that of coal or iron ore**.

Thus, **following the theory of minimum transportation cost many centres of iron and steel production tend to be attracted by the market.**

One of the major consumers of the steel industry is the automobile industry which in itself prefers a market location. These industries have also raised the importance of the market for the iron and steel industry.

About **half of the metal now melted in the world's iron and steel furnaces is scrap. Industrialized areas, especially with steel-consuming industries, are the major sources of scrap iron.** Thus, the market has a double attraction, as the consumer of steel and as a source of raw materials. However, the use of scrap as raw material on a large scale is yet to pick up in India.

- **Transportation**

Both raw material & finished products are bulky and require big transportation facilities.

Optimum transportation cost of carrying raw material from source and finished products to market play important role in the location of Iron and Steel Industry.

However, setting up of large integrated steel plant boosted the growth of infrastructure, especially road and rail in these regions.

- **Technology**

With the **increasing popularity of the open-hearth processes, scrap has become a very important raw material in this industry.**

This process uses scraps as raw material (1/3 of the world's raw material). It is easier to transport in raw form.

Recent technological developments in transport, the use of scrap as raw material and the agglomeration economics have made market-oriented location more advantageous than ever before.

- **Port location**

Port location **provides easy and cheap means of transportation**. These are highly helpful in the **import of raw materials and export of the finished products.** When some of the basic raw materials need to be imported or the finished Steel is to be exported, seaport locations are preferred.

The port locations have the additional advantage of easy and cheap means of transportations, i.e. **Vizag Steel plant is an important example of this kind of location.**

- **Government policy**

The ultimate **responsibility of balanced regional development rests with the government** and in view of this Government has invested heavily in backward areas for developing these industries for example in Jharkhand, Orissa, Chhattisgarh, etc. So this approach was in accordance with the **principle of the Trickle-down theory of Growth Pole and Growth Centre.**

At times political lobbying, political opposition, and strategic requirements also greatly influence its location. For example, **VISW (Bhadaravati) was set up to fulfill defense requirements.**

- **Labour**

Cheap and abundant labour is required for this industry. Therefore **West Bengal and the nearby regions provide favorable locations** for Industrial locations for the Iron and Steel Industry.

Iron and steel industry in the United States

Introduction

In 2014, the United States was the world's third-largest producer of raw steel (after China and Japan), and the sixth-largest producer of pig iron. The industry produced 29 million metric tons of pig iron and 88 million tons of steel. Most iron and steel in the United States is now made from iron and steel scrap, rather than iron ore. The United States is also a major importer of iron and steel, as well as iron and steel products. Employment as of 2014 was 149,000 people employed in iron and steel mills, and 69,000 in foundries. The value of iron and steel produced in 2014 was $113 billion. About 0.3% of the US population is employed by the steel industry.

Transformation

The number of integrated steel mills has continued to decline, and in 2014, only 11 integrated mills were operating in the US. Most of the steel produced has been by the growing number of mini-mills, also called specialty mills, which in 2014 numbered 113. In 1981, mini-mills produced an estimated 15% of US steel.[13] Since 2002, steel produced by electric arc furnace, the process used by the mini-mills, has produced more than half the steel made in the US. Many companies operating integrated mills also have mini-mills.

A number of bankruptcies and acquisitions between 2000 and 2014 reversed the trend of industry fragmentation. In 2000, the top three steelmakers had 28% of the steelmaking capacity, and the top ten had 58%. By 2014, the top three (Nucor, ArcelorMittal, and US Steel) accounted for 56% of the steel capacity, and the top ten 87%.

Cotton Textile Industry in India

Introduction of cotton production in India

One of mankind's great discoveries, cotton is one commodity that is available virtually everywhere - testifying both to its utility, as well as the awe-inspiring impact capitalism, has had on human production and consumption. Cotton production in India has focused on textiles for over thousands of years, generating significant employment for both skilled and unskilled labour - thus helping strengthen the country's economy.

The cotton sector in India is considered the second most developed sector in the textile industry (after man-made fibres). At 18% of the global total, India is the world's largest producer of cotton. It also has the largest area under cotton cultivation in the world, representing about 25% of the world's area under cultivation. The states of Gujarat, Maharashtra, Andhra Pradesh, Haryana, Punjab, Madhya Pradesh, Rajasthan, Karnataka and Tamil Nadu are the major cotton producing areas in India.

Present Status of Cotton Textile Industry in India

- **India is the 2nd largest producer of cotton textiles in the world**. It is also one of the largest industries in terms of employment, production, and exports.
- In India at present, cotton cloth is produced in 3 sectors:
- **Mills –** Mills share has come down from 80% in 1950 to 3.3% in 2005-06

- **Power looms**: Power looms accounts for 85% of total production in Cotton Textile Industry. They are concentrated in Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh, Madhya Pradesh, West Bengal and Karnataka.
- **Handlooms –** They account for 12.5% of the total production in Cotton Textile Industry. They employ nearly 6 million people. There are nearly 38 lakh handlooms in India in which about one-third are located in Tamil Nadu, Andhra Pradesh, Assam, Uttar Pradesh and rest in Maharashtra, West Bengal, Bihar, Orissa, Rajasthan and Karnataka
- **Cotton Textile Industry is no longer an off-season occupation**. It is an ancient industry, which has declined due to political and economic factors.

Factors influencing location and distribution

- **Raw material**:

Although raw cotton, the principal raw material is an easily transportable commodity, and many areas with cotton mills do not grow cotton. Its availability along with others factors has played a decisive role in the localization of cotton mills in the country. In fact, the whole country forming a large market, Cotton Textile Industry is concentrated in the region of raw cotton production and in the areas which provides it a certain advantage over the rest.

Distribution of over 90% of the industry is conterminous with the cotton-growing tracts in the relatively drier western parts of the peninsula and the Great Plains.

- **Large centers like Ahmadabad, Coimbatore, Solapur, Nagpur and Indore** are situatedin areas of large-scale cotton cultivation. Even Bombay enjoys this locational advantage to a lesser degree as compared to the cotton-producing areas of Maharashtra and Gujarat.
- **Market**

Market is the second most important factor responsible for the development of these industries. Situated in the **tropics and sub-tropics the country enjoys a warm climate and cotton cloth** is in use for the whole year in the peninsula and for most of the year in the Great Plains.

- **Cheap labour**:

Since cotton wearing was a traditional cottage industry, chiefly concentrated in the cotton tracts of the country, cheap skilled labour was easily available in such areas.

Hence it was also an important factor for the setting of cotton textile industries in cotton growing areas.

Cheap and efficient means of transport abundant power and fresh water and above all enterprise played some role in the development of the industry in the various part of the country.

The geographical inertia and government policy of decentralization has also influenced the location of the cotton industry.

Distribution

- The cotton textile industry is one of the most widely distributed industries in the country.

Maharashtra and Gujarat together account for a major chunk of cloth produced in India.

- **Maharashtra**
- It is the **leading producer of cotton yarn and cloth**. It is the third most important state from the point of view of the number of mills. Here **Mumbai is known as cottono-polis of India** followed by Solapur, Nagpur, Pune, Jalgaon, Kohalpur, etc.
- **Gujarat**

It **ranks second in cotton yarn and cloth production** and in terms of a number of mills. Important centres are Ahmadabad, Surat, Broach, Baroda, Bhavnagar, Cambay, Rajkot, Kalal, etc.

- **Tamil Nadu**

It has the **largest number of mills**. Important centres are Coimbatore, Madras, Madurai, Tirunelveli, Tuticorin, etc.

- **Uttar Pradesh**

The **industry is concentrated in the western parts of the state** where most of the cotton is grown. Important centres are Kanpur, Modinagar, Moradabad, Aligarh, Agra, Etawah, Meerut, Ghaziabad etc.

- **West Bengal**

Most of the mills are located around **Calcutta and Howrah and in the 24-Paragana district.** A large market, chief coal-producing areas, and port facilities of Calcutta are the chief location assets. Important centres are Calcutta, Howrah, Sodepur, Serampore, and Shyamnagar.

- **Madhya Pradesh**

All the mills are concentrated in the cotton tract of the **Western Malwa Plateau.** Important centres are Gwalior, Indore, Ujjain, Raipur, Dewas, Bhopal, Jabalpur etc.

- **Karnataka**

Important centre of production are Bangalore, Bellary, Mysore, Devangiri etc.

- **Andhra Pradesh**

The industry has grown up in the cotton-growing areas of Telangana. Important centres are Hyderabad, Warangal, Guntur, Ramagundam, Tirupati, etc.

- **Kerala**

In Kerala Alwaye, Cochin, Alleppey, Allapanagar, Trivendrum have emerged as the main centre for the production of cotton textiles

- **Rajasthan**

In Rajasthan Kota, Jaipur, Jodhpur, Ganganagar, Bhilwara, etc. are the main centre for the production of cotton textiles

- **Haryana**

Hissar and Bhiwani are the main centres of the cotton textiles industry in Haryana.

- **Punjab**

Punjab has come up as a leading cotton-producing state in the country. New varieties of cotton e.g. **BT cotton are being introduced with R&D done simultaneously on better varieties.**

Amritsar and Ludhiana main centres of the cotton textiles industry in Punjab.

- **Delhi**

Delhi as also emerged as an important center for the production of cotton textiles due to the presence of a huge market.

Problems of the Industry

- **Problems of raw materials**

Production of cotton textiles depends to a large extent on the production of raw cotton. The cotton textiles industry in those areas where the production of raw cotton is small faces a serious problem.

Another related problem is the **increasing prices of raw cotton.** This has created a the different situation for the cotton textile industry, since it has pushed up the cost of production substantially.

Also there is the **shortage of cotton which is now imported from Pakistan, Kenya, Uganda, Egypt, and USA (long stapled cotton).**

However, efforts have been made to establish the industry in traditionally non – cotton belts.

Punjab has come up as a leading cotton producing state in the country. New varieties of cotton e.g. BT cotton are being introduced with R&D done simultaneously on better varieties. Improvement in relations with Pakistan can also help in easy import of cotton from there.

- **Problems of power**

The textiles industry in country has suffered badly for want of adequate and regular supply of power. **Frequent power cuts and load shedding have affected the industry badly.** This is a general problem for industry in the country.

However, efforts like Mega Power Plants, new hydroelectric plants and participation of private sector is coming up in a big way to improve the power situation in the country. Besides, more energy efficient technologies need to be evolved to sort out this problem.

- **Obsolete machinery and need for modernization**

Since the **cotton textile industry is old in India and a number of mills were set up long back, the machinery and equipment have grown old and outdated and need fast replacement**. Production with the help of such outdated machinery results in higher costs, and poor quality of product.

However, attempts for the modernization and replacement of old machinery by new machinery are hindered on one hand by the capital financial constraints (being faced by many units) and on other hand by protests from labour. Modernization involves automation which is likely to displace labour. The government has initiated many technology enhancement programmes.

Subsidies to the extent of **75-100%** are being given for the modernization of this industry.

On the technology front, the Technology Up-gradation Fund Scheme has been instituted by the government in an effort to encourage manufacturers to go in for enhanced technology.

Countries like China have shown the way vis-a-vis the modern technologies and low cost of production.

- **Labour problems**

The cotton textile industry has been faced with frequent labour problems. In 1982 the industry was shocked by a labour strike in Bombay which continued for eight months.

In India, many reforms vis-a-vis labour have been initiated by the government as second Generation Reforms. These included many reforms like VRS, training and rehabilitation measures.

- **High cost of production and competition in foreign markets**

The Indian cotton textile industry has been **facing increasing competition in world markets.**

This is largely due to **low productivity and high cost of production** and consequently high prices of Indian cotton cloth textiles. It is paradoxical in a country where wages are low and cotton is internally available. Production costs should be high but the **advantage of lower wages is offset by the comparatively greater**

disadvantage in raw materials and outdated machinery. While Indian major competitors like China, Taiwan and South Korea are using the latest machinery, Indian textile industry is saddled with absolute machinery.

- **Sickness and Recession in mill sector**

Because of the above mentioned problems and the competition from the decentralized sector, a number of cotton mills are facing recession and are turning sick.

Low profits and profitability in the mill sector forces some of these mills to close down. Closure of mills is resented by workers as they are rendered unemployed.

- **Competition from decentralized sector**

An important factor for the growing sickness of the mill sector is the growth of the decentralized sector. Being a small scale sector, the government allowed excise concessions and other privileges to other small sectors which sometimes become detrimental to textile sector due to lack of government support.

- **Lack of foreign investment:** Due to challenges given above the foreign investors are not very enthusiastic about investing in the textile sector which is also one of the areas of concern.

Key advantages of the Indian Cotton Textile Industry

India is the Second largest producer of cotton with the largest area under cotton cultivation in the world. It has an edge in low-cost cotton sourcing as compared to other countries.

- **Average wage rate**

In India average wage rate is 50-60% lower than that in developed countries, thus enabling India to benefit from global outsourcing trends in labor-intensive businesses such as garments and home textiles.

- **Design and fashion capabilities**

Design and fashion capabilities are key strengths that have enabled Indian players to strengthen their relationships with global retailers and score over their Chinese competitors.

- **Production facilities**

Production facilities are available across the textile value chain, from spinning to garments manufacturing. The industry is investing in technology and increasing its capacities which should prove a major asset in the years to come.

- **Large Indian players** such as Arvind Mills, Welspun India. Alok Industries and Raymonds have established themselves as 'quantity producers' in the global market.

Cotton Textile Industry in USA

Introduction

The United States plays a vital role in the global cotton market, acting as a key producer and exporter of the fiber. In marketing year (MY) 2019—August 2019-July 2020—the United States produced nearly 20 million bales of cotton, representing about $7 billion in total (lint plus seed) value. Furthermore, the United States is the world's leading cotton exporter, providing approximately 35 percent of global cotton exports in recent years. Through its participation in global trade, the United States supports global textile industries and provides opportunities for domestic farmers to market their cotton to the world.

Cotton is a versatile commodity used in many products, particularly clothing. One bale of cotton—approximately 480 pounds of cleaned cotton lint—can make more than 200 pairs of jeans or 1,200 t-shirts. In the United States and around the world, there are two main species of cotton cultivated for commercial use: upland cotton and Pima (extra-long staple) cotton. Upland cotton comprises the vast majority of production. The primary difference between species is fiber length, with other small differences in growing conditions and end uses.

Key Facts about the U.S. Textile Industry

- The U.S. textile industry supply chain—from textile fibers to apparel and other sewn products—employed 534,000 workers in 2021. The U.S. government estimates that one textile manufacturing job in this country supports three other jobs.
- U.S. textile and apparel shipments totaled $65.2 billion in 2021.
- The U.S. industry is the second largest exporter of textile-related products in the world. Fiber, textile, and apparel exports combined were $28.4 billion in 2021.
- Excluding raw cotton and wool, two thirds of U.S. textile supply chain exports went to our Western Hemisphere free trade partners in 2019. The entire U.S. textile supply chain exported to more than 200 countries, with 24 countries importing $100 million or more.
- The U.S. textile industry supplies more than 8,000 different textile products to the U.S. military.
- The United States is the world leader in textile research and development, with the U.S. textile complex developing next generation textile materials such as conductive fabric with anti-static properties, electronic

textiles that can monitor heart rate and other vital signs, antimicrobial fibers, lifesaving body armor, and new fabrics that adapt to the climate to make the wearer warmer or cooler.

- The U.S. textile industry invested $20.2 billion in new plants and equipment from 2011 to 2020. Recently U.S. manufacturers have opened new facilities throughout the textile production chain, including recycling facilities to convert textile and other waste to new textile uses and resins.
- U.S. textile mills have increased labor productivity by 69% since 2000.
- In 2019, hourly and nonsupervisory textile mill workers on average earned more than twice as much as apparel store workers ($722 per week vs. $314) and received healthcare and retirement benefits.

Engineering Industry in India

Introduction

The Engineering Industry is the largest among all industrial sectors in India. It incorporates diverse segments of industry which can be broadly divided into two segments, namely, heavy engineering and light engineering. It is relatively less fragmented at the top, as the competencies required are high, while it is highly fragmented at the lower end (e.g. unbranded transformers for the retail segment) and is dominated by smaller players. The engineering industry in India manufactures a wide range of products, with heavy engineering goods accounting for bulk of the production.

India's engineering industry has grown by an annual average of 12 per cent for the past five years on the back of higher investment in infrastructure development and industrial production, new government initiatives, such as allowing 100 per cent foreign ownership of firms within the sector, and lowering customs duty. As a result foreign companies have started expanding into the Indian market by setting up local manufacturing bases to support domestic demand and exports. This has seen the local machinery/capital equipment sector diversify to serve the needs of new technological developments. India has a strong engineering and capital goods market. Engineering is India's largest industrial segment and accounts for nearly 3-4 per cent of the country's economy and employs more than 4 million skilled and semi-skilled workers.

Assessment of key sectors

1. **Machine tools**

This category leads the capital goods sector as it supplies machinery for the entire manufacturing sector. Most of the 800 machine tools manufacturers are SMEs. There are some 25 mid-size manufacturers who

each have an annual turnover of 2bn-3bn rupees. India currently produces general/special purpose machines such as gear-cutting machines, grinding machines, medium-sized machines, presses, pipe-bending machines, rolling machines and bending machines. Over the past three years the sector has grown with CAGR of 16 per cent. Exports only accounted for 2.5 per cent of output in 2011. Imports have increased from 40 per cent to 65 per cent of total machine tool consumption over the past decade.

2. Process machinery

There are 11 major manufacturers of machinery in this organised sector and nearly 200 SMEs. Major plastic process machinery includes injection moulders, blow moulders and extrusion moulders. This sector grew with CAGR of almost 30 per cent from 2008-11. About 37.5 per cent of output is exported.

3. Heavy electrical and power plant equipment

There are some 700 electrical machinery manufacturers in India, nearly 90 per cent of which are SMEs. The sector has posted CAGR of 15 per cent over the past three years. BHEL leads the sector which produces a wide range of equipment including transmission line towers, high-tension switchgear, transformers, motors, AC generators, conductors, capacitors and cables.

4. Metallurgical machinery

This includes all types of steel plant equipment such as blast furnaces, steel-melting furnaces and equipment, rolling mills and continuous casting machines. Due to the highly specialised nature of the industry, the sector comprises just a few large manufacturers such as HEC and L&T, as well as about 30 medium size companies and 170 SMEs. About 80 per cent of output is exported. The industry achieved CAGR of 25 per cent from 2008-11. Textiles machinery SMEs account for 85 per cent of this sector's 1,450 manufacturers. Production grew at CAGR of 5 per cent from 2008-11.

5. Process plant equipment

This sector has recorded CAGR of 12 per cent over the past five years. About 65 per cent of the sector's more than 200 manufacturers are SMEs. Key product categories include evaporators, stirrers, heat exchangers, towers and columns, crystallisers and furnaces.

6. Engineering goods

In the context of this report, engineering goods cover bearings, steel pipes and tubes, seamless pipes and tubes, nuts, bolts, rivets, castings, forgings and metal containers. The sector has achieved CAGR of 14 per cent over the past three years.

7. **Dies, moulds and tools**

This sector is highly fragmented and consists of more than 500 commercial toolmakers engaged in the design, development and manufacturing processes. Mumbai, Bangalore, Chennai, Pune, Hyderabad and the National Capital Region are the main hubs for this industry.

Key drivers of India's engineering sector

Demand for engineering goods depends largely on a country's economic growth, which itself is dependent on spending in core segments such as power, railways and infrastructure development as well as private sector investments and the speed at which projects are implemented. India's power sector is the single largest revenue contributor for engineering companies. The power sector's performance was driven by the restructuring of state electricity boards, private sector growth and capacity development. Government projects such as the World Bank-funded Golden Quadrilateral Project and the North-South and East-West corridors, which are focused on improving infrastructure, have fuelled growth in the construction industry and the overall industrial sector. India's sound engineering education system has provided a consistent supply of skilled labour which itself has helped drive growth across the industry. This has seen India become a preferred outsource market for global manufacturers due to its lower labour costs and better technological designing capabilities than those available in competing emerging markets.

Capacity creation across the infrastructure, oil and gas, power, mining, automobile and auto components, steel, refinery and consumer goods sectors has also driven growth.

Other key factors are:

1. **Growth of key end-user industries for engineering products**
2. **Government initiatives within the power and construction industries**

Five (5) Major Industrial Regions of the World

The five major industrial regions of the world. The industrial regions are:

1. North American Region

2. European Region

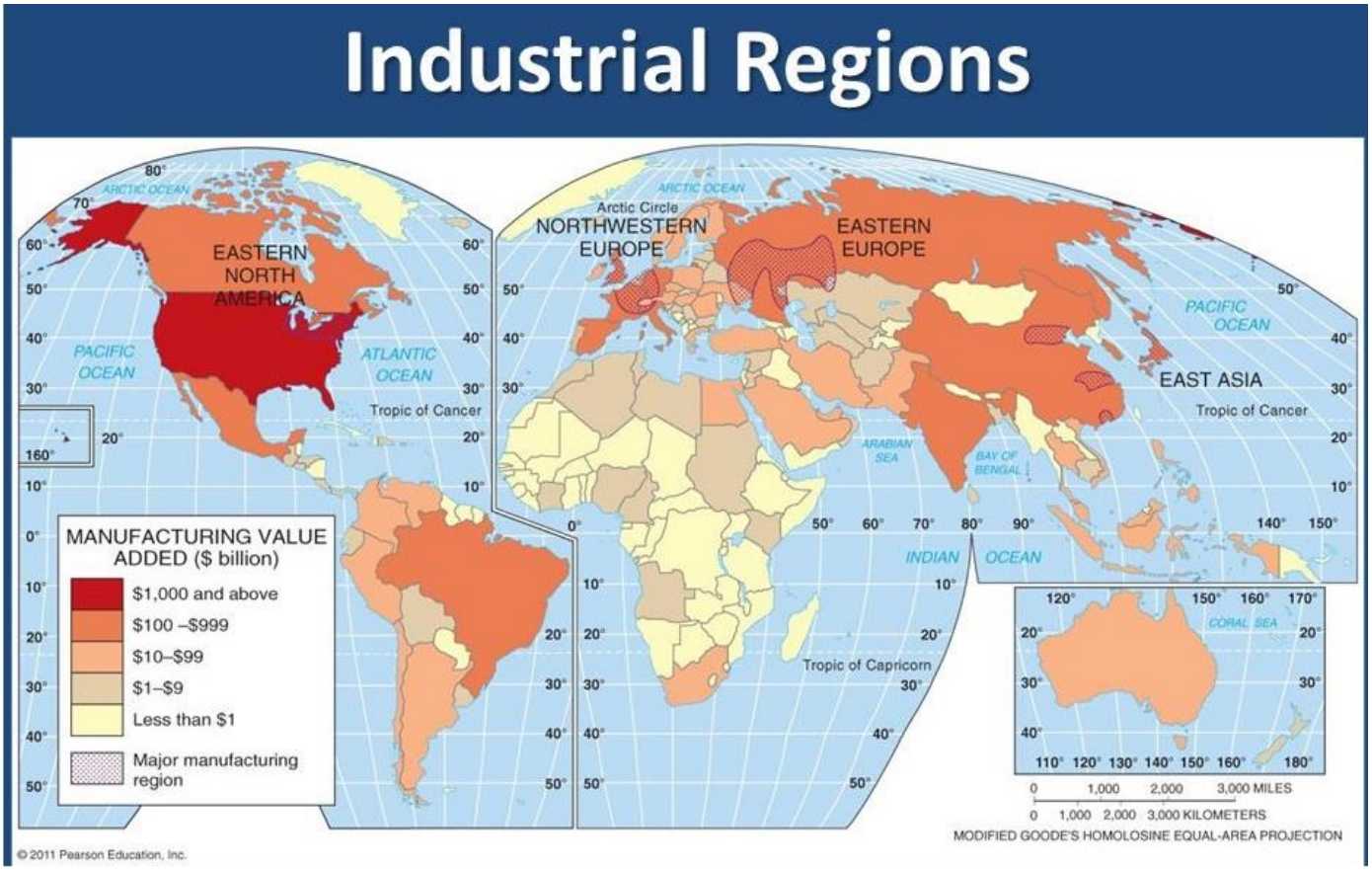
3. Other European Regions

4. Asian Regions

5. Other Asian Industrial Zones.

1. North American Region:

About four-fifth of the industrial output in this region is contributed from United States of America. Another major producing country is Canada.



(i) United States of America:

USA is the most dominant industrial super-power in the world. The total contribution of industry in the national Gross Domestic Product (GDP) in 1995 was 31 per cent of the total i.e. $ 6,952,020 million. The value of Merchandise import and export in 1996 was $ 814,888 and $ 575,477, respectively. At least 26% of the population are directly or indirectly involved in manufacturing activities.

The manufacturing activities are available almost in all states, though some regions have wider concentration of industries, particularly in the north-eastern states. It is, however, very difficult to delineate the boundaries of different industrial regions, because most of the regions are geographically inseparable.

The industrial units in USA may broadly fall into following regions:

1. The New England Regions.

2. The New York-Mid-Atlantic Region.

3. Mid-Western Region.

4. North-Eastern Region.

5. The Southern Region.

6. Western Region.

7. The Pacific Region.

1. The New England Region:

The vast New England industrial region comprises six states, namely Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire and Maine. This is the largest single industrial region on earth. The nucleus of the region is Boston Metropolitan region. The major industries in this region are electrical machinery, textiles, machinery, leather, fabricated metals and other industries.

In fact, industrial structure here is very diversified. This is one of the oldest industrial regions in USA, contributing 15 per cent of the yearly output of the nation. The major centres in this region are Connecticut, Massachusetts, and Rhode Island. This industrial region enjoys advantages of huge capital, good communication, export facilities, cheap and skilled labour and vast market.

The entire industrial region is broadly divided into eastern and western part. In the eastern part, the major industrial areas are Provi¬dence, Brookston, New Bedford and Merrimac valley. In the western part, the major centres are Hartford, New Heaven and Springfield.

Most of the traditional industries are located in the eastern region, while western region possesses the industries of high growth rate.

2. The New York and Mid-Atlantic Region:

This region extends from New York to Balti¬more. In Middle Atlantic States, industrial centres are scattered over New Jersey, Pennsylvania, Maryland, Delaware, Philadelphia and Baltimore. Other smaller centres are Sparrows Point, Bethlehem etc. In New York region, the centres are Rochester, Syracuse, Buffalo, Utice etc. This industrial region contributes variety of manufacturing items but steel production in the region is quite spectacular.

3. The Mid-Lake Region:

This is the region having greatest concentration of ferrous industries. This region accounts about 1/4th of ferrous and Ferro-alloy products of the country. The famous Youngs town Pittsburg-Johnstown iron and steel triangle is located in the region. The other steel producing areas are Wheeling, Cleveland, Louisville, Rook-ford, Flint, Steubenville and Detroit.

The other manufacturing centres engaged in diversified manufacturing activities are Chicago, Anderson, Midland, Iowa, St. Louis, Minneapolis etc. In cities like Detroit, several industries have developed including motor vehicles, machinery, fabricated metals, machine tools and electronics.

The Lake Superior iron ore and Appalachian coal provide major raw materials and extensive hinterland for marketing facilities mostly helped for the massive development of this region.

4. North-Eastern Region:

This region covers the industrial regions of the Ohio, Michigan, and Wisconsin etc. The combined output of the manufacturing goods in this region is very high.

5. The Southern Industrial Region:

The southern industrial region extends from North Carolina in the east to the Texas in the south central region of the country. The major industrial states in this region are Texas and North Carolina. The other states having considerable industries are Mississippi, Tennessee, Georgia, Florida, Alabama, Oklahoma and Texas.

Basically, this industrial region produces more agro-based items rather than the basic industrial goods. The major industrial product includes textiles, food and beverages, tobacco and furniture. Apart from these industries, Texas region is having industries like petrochemicals, aircraft and heavy chemicals.

The industrial development in south is the recent phenomenon. Only after Second World War this region became the leading industrial region. The major industrial cities are Jackson, Baton Rouge, Houston, Oklahoma, Montgomery etc.

6. The Western Region:

This is one of the less developed region in industry, comprises the states of Wyoming, Utah, Colorado, Nevada and Arizona. This sparsely populated region is backward in industrial activities. Very recently, industry started to grow within the region.

7. The Pacific Coastal Region:

A narrow coastal strip running through Washington, Oregon and California is the great industrial agglomeration of the Pacific coast. The major industrial nucleus of the area are San Francisco and Los Angeles. The major products of this industrial region are food and beverages, automobiles, aircraft, metal fabrication, petro-chemical and heavy chemicals etc.

The smaller industrial centres are Portland, Seattle, Eugene, Sacramento, San Diego etc.

(ii) Canada:

Canada is the second biggest industrial country in North America. Here, manufacturing activities are highly developed. In 1995, manufacturing activities earned 31 per cent and in 1997 nearly 23% people were directly or indirectly engaged in industries.

The country possesses huge amount of iron ore, petroleum and forest resources. Hydroelectric power is also abundant in Canada. Canada is moderately developed in petrochemicals, paper, textiles, iron & steel and aluminium industry.

The major industrial region in Canada are:

1. Ontario and St. Lawrence Valley.

2. Prairie Region.

3. Pacific Coastal Region.

1. Ontario and St. Lawrence Valley:

This is one of the most important manufacturing regions in Canada. The major products are paper, cheese, flour, agricultural machinery, copper and nickel smelting, iron & steel industry and chemical industry. The major industrial centres are Quebec, Ontario, Ottawa, Toronto, Hamilton etc.

2. Prairie Region:

As far as manufacturing industry is concerned, this region is not very developed. The major centres of production are Manitoba, Winnipeg, and Edmonton, Alberta etc. Besides agrobased industries, the other noted industries in the region are petroleum refinery and chemical industry.

3. Pacific Coast:

The leading centred are Vancouver and Prince Rupert. The major industries are paper and pulp, furniture, agricultural machinery and hydropower stations.

2. Industrial Region: European Region:

In Europe, particularly in Western Europe, most of the countries are highly industrialized. Some of the countries are leading manufacturing countries in the world. These are Germany, United Kingdom, Italy, France, Spain etc.

(i) United Kingdom:

United Kingdom is one of the most industrialized countries of the world. In fact, modern industrialization largely took its birth in British soil. In 1995, total industrial output in Britain was 32 per cent of the GDP. 29 per cent of the labour force is directly engaged in industry.

Great Britain is having almost all types of manufacturing industries. The major manufacturing items are engineering, ferrous, chemical, textile, ceramic, electrical, leather, food and beverages and even electronics. The manufacturing region of Britain may be sub-divided into following groups:

1. Midland.

2. Lower Scotland.

3. North-East Coast.

4. South Wales.

5. Lancashire.

6. London Basin.

1. The Midland:

This is one of the oldest regions in Great Britain. The nucleus of this industrial region is Birmingham. The other industrial centres are Nottingham, Leicester. This region manufactures almost all types of metal products. The early coalfields of the region provided opportunity for the rapid growth of the industry.

2. The Lower Scotland:

This region had developed as a textile centre. After the discovery of coal and iron ore within the region, diverse type of manufacturing activities evolved throughout the region. The major centres of production are Glasgow, Edinburgh, John-stone, Clyde Valley, Aberdeen, Dundee and Perth. Apart from cotton textile, iron-steel engineering factories, ship building, petro-chemical, heavy chemical industries also developed in the region.

3. The North-East Coast:

The north-east coast industrial region contributes heavy industrial output. The major centres of industrial production in the north-east coast are New Castle, Hartlepool, Stockton, Sunderland, Middles-borough etc. The area was once developed as a major iron and steel centre in Britain.

At present, iron and steel industry in this region has largely been reduced, heavy chemical industry is now thriving greatly. Originally, iron-steel and chemical plants were influenced by the presence of raw material within the region.

4. The South Wales:

The vast reserve of coal within South Wales region principally attracted iron and steel industries in the region. Non-ferrous industries were also developed near coal mines. The major industrial centres in South

Wales are Newcort, Swansa, Cardiff, Cornwall etc. Petrochemical, electrical and other consumer goods are now produced in this region.

5. The Lancashire:

The development of Lancashire as an industrial centre was directly related with the development of cotton textile industry. The major cotton textile centres in this region are Manchester and Liverpool. At present, due to the decline of mammoth textile plants, the area now produces high quality textile goods. The centres of production in this region are Rochdale, Bolton, Blackburn and Preston.

6. The London Basin:

The London metropolitan region is the largest industrial centre in UK which houses various types of industries like engineering, refining, chemical, metallurgical, and electrical, electronics, paper and cement. The greater London region with all its suburbs produce vast amount of consumer goods.

(ii) Germany:

The United Germany is one of the most dominant industrial powers in Europe. Even before unification, West Germany was considered as a great industrial power. In 1996, industry contributed 38.2 per cent of the total GDP About 38% people were engaged in manufacturing activities.

The major manufacturing regions in Germany are:

1. Rhine Industrial Region.

2. The Saar and Middle Rhine Industrial Region.

3. The Hamburg Industrial Region.

4. Berlin Industrial Region.

5. Leipzig Industrial Region.

1. The Rhine Industrial Region:

The Rhine industrial region, popularly known as Ruhr- Westphalia industrial region, is one of the largest industrial regions in Europe. The large reserve of Ruhr coal and Siegerland iron ore and transportation route through Rhine were the major factors for massive growth of industries. Almost every type of manufacturing industries were developed in this region which includes iron and steel, heavy chemicals, metallurgical, textiles and different consumer goods.

The early industry which developed in this region was iron and steel, centred around Essen and Dortmund, later on heavy chemicals were developed within Dusseldorf and Dortmund metallurgical at Duisburg, Essen, Dusseldorf and textiles at Wuppertal, Solingel etc. At present, almost all the good quality coal has been mined out.

2. The Saar and Middle Rhine Industrial Region:

The great urban centres of Frankfurt, Mannheim and Saar region is highly developed in some of the sophisticated industries. The major industries in this region are motor vehicles, petrochemicals, textiles, paper, machine tools, aircraft and precision industries.

3. The Hamburg Industrial Region:

In reality, Hamburg is not a region but a metropolitan city. Here also specialized industries developed to a great extent. Among the industries, notable are ship building, light chemicals, tobacco, non-ferrous industries, petro-chemical, petroleum refining and engineering industries.

4. The Berlin Industrial Region:

West Berlin area was developed as a major industrial centre under West German occupation. It was the capital of undivided Germany and derived advantage as a seat of administration. Most of the industrial products contributed by this region are of non-conventional type, including electrical, electronics, cosmetics, light chemicals and precision engineering.

5. Leipzig Industrial Region:

This was the principal industrial centre of erstwhile East Germany. This region produces optical instruments, leather products, engineering goods and machine tools.

(iii) France:

France is tine other forerunner in manufacturing world. In 1995, industry contributed 27% of GDP. This is the third largest industrial power in Europe, next to UK and Germany. The leading manufacturing regions of the country are:

1. The Northern Industrial Region.

2. The Lorraine Industrial Region.

3. The Paris Industrial Region.

1. The Northern Industrial Region:

This is the oldest and major industrial region in France. The coal deposit of Sambre Meuse and nearby Lorraine iron ore promoted large iron-steel industry in Valenciennes, Lens etc. The textile based industries were developed at places like Cambrai, Roubaix-Tourcoing etc.

2. The Lorraine Industrial Region:

Greatest iron and steel centre in France. Lorraine iron ore deposits helped to the growth of several metallurgical industries. Other than steel, Lorraine also produces a good amount of chemical, textile, glass, ceramics, leather and electrical products.

3. The Paris Industrial Region:

Large amount of consumer goods, scientific and precision instruments, automobiles and chemical industries were developed in this region.

(iv) Italy:

During the early phase of industrialization throughout Europe, Italy was a non-starter. Only before Second World War real industrial development began in Italy. Since very early period, industrial growth had been concentrated in the northern part of the country. In 1985, manufacturing industry in Italy contributed 34 per cent of the GDP. 32 per cent of the labour
force is engaged in manufacturing in Italy.

The industrial regions in Italy may be sub-divided into two broad regions:

1. The Northern Region.

2. The Southern Region.

1. The Northern Region:

About four-fifth of the industries is concentrated in Northern Italy. The major industrial regions are Lombardy, Piedmont, Liguria etc. Most of the manufacturing units are concentrated in urban centres, e.g., Venice, Trieste, Genoa, Savona and in Milan and Turin in great Po river valley.

Entire region is highly developed with several types of industries. Important among these are textiles, silk, iron and steel, paper, paper pulp, agricultural machinery, aircraft, machine tools, electrical and automobiles.

2. The Southern Region:

This region is far less developed in manufacturing than its north¬ern counterpart. Naples is the only major industrial centre, having textiles, machinery and iron & steel plants.

3. Industrial Region: Other European Regions:

Several other industrial regions are scattered in different other European countries. Important among these regions are Swiss Plateau in Switzerland, Stockholm region in Sweden, Rotterdam-Amsterdam region in Holland, Brussels-Antwerp industrial region in Belgium.

It is an uphill task to separate one European industrial zone from the other. In reality, all these regions are only sub-regions of a vast European industrial zone.

3. Other European Regions- CIS:

The CIS is one of the mighty industrial powers of the world. In 1995, industry contributed nearly 40 per cent of the gross national product in Russian Federation. Nearly 47 per cent of work forces in 1991 were engaged in manufacturing industry.

Soviet industrial regions may be sub-divided into following regions:

1. The Moscow-Tula Industrial Region.

2. The Southern Industrial Region.

3. The Caucasus Industrial Region.

4. The Ural Industrial Region.

5. The Volga Industrial Region.

6. The Kuznetsk Industrial Region.

7. The Central Asia Industrial Region.

1. The Moscow-Tula Industrial Region:

This is one of the oldest industrial conurbation in USSR. Even prior to Communist take-over, this region developed as industrial centre. Moscow, the capital city and several other urban centres like Tula, Gorky, Ivanovo and Yaroslav consist of numerous industrial establishments. In its early period of growth, iron ore of Tula and brown coal of Moscow proved advantageous. The mineral resources, however, declined later on. But the growth of this region remain unabated.

The largest concentration of industries occurs within Moscow-Tula region. Major industries are iron-steel, heavy chemical, metallurgy, machine tools, refineries, textile, electrical, automobiles etc. This industrial agglomeration produces nearly one-fourth of the national industrial output.

Gorky and Lipetsk produce high quality steel and heavy engineering products. The cities of Yaroslav and Lipetsk produce agricultural machinery and electronics, respectively. Ivanovo and Yaroslav cities produce aluminium and other metallurgical products. Moscow-TulaVladimir triangle produces huge amount of textile goods. Ivanovo attained such a high fame in textile production that it became famous as 'Manchester of CIS'.

2. The Southern Industrial Region:

The great Ukraine region is the greatest industrial area in CIS. This area contributed largest amount of iron-steel and other metallurgical products. The famous Donetz coal and Krivoi Rog iron ore was the basis for the overall economic and industrial growth of the region.

Besides this, Nikopol manganese is also used widely in iron- steel industry. Zaparzhye limestone is another raw material found in the region.

The two large plants, one each at Donbas and Krivoi Rog, provided necessary infrastructure to other indus¬tries. The symbiotic growth between Donetz coal and Krivoi Rog iron ore or 'combine' is the fundamental principle, first adopted here. The other precision manufacturing units are situated at Odessa and Zaparzhye. The other industrial centres are Konstantinovka, Zhdanov.

3. Caucasus Industrial Region:

This region is famous for the manufacturing of heavy chemical industries. The discovery of enormous amount of crude oil within the region also helped to establish refineries and petrochemical industries at Baku, Grozny, Maikop and Batum. The other noted centres were developed at places like Tbilisi, Kirovakam and Sumgait.

4. The Ural Industrial Region:

The development of Ural industrial region owes much to the huge iron ore deposits of Magnitogorsk, Nizhny Tagil and Serov. After the initiation of Communist regime, development of Ural received priority and for rapid industrialization of the region 'UralKuznetsk Combine' was constructed. According to the plan, a symbiotic or reciprocal relationship was established between Ural and Kuznetsk region. Ural iron ores sent to Kuznetsk, in lieu of Kuznetsk coal.

Large iron-steel centres were developed at Nizhniy Tagil, Sverdlovsk, Serov, Chelyabinsk, Magnitogorsk and Novotroits etc. After the discovery of Karaganda coal reserve, this system was to some extent modified. This region has a very good communication system, specially railroads. Gradually several other industries developed. Among these, machine tools, agricultural machinery, chemicals etc. are important.

5. The Volga Industrial Region:

The development of manufacturing activities is a com¬paratively recent phenomena in Volga region. Even in the first phase of Communist regime, industrialization in Volga region took place at a slow pace. The Tartar oilfield and Kuybyshev oilfields helped to develop industrial base at Volga valley. Kuybyshev-Kazan and Volgograd are the most important industrial centres having chemical and machine tool plants.

6. The Kuznetsk Industrial Region:

The once deserted and sparsely populated region of Kuznetsk basin is now having sprawling industrial township having large number of industries, of which iron-steel is most important. The exploration of vast amount of coal reserve and subsequent development of UralKuznetsk combined system, which provides iron ore of Ural to Kuznetsk in lieu of coal, helped great development of iron-steel industry here.

Various coal based industries developed in places like Kemerovo, Osirniki etc. Great development of iron-steel industry occurred in Novokuznetsk, Nosibirsk and several other places. Machine tools, textile and chemical industries were also developed in this region.

7. The Central Asia Region:

Considering the volume of productions, Central Asia is now a very significant industrial region. After Communist take-over, due to planned dispersal of the industry for strategic reasons and to avoid regional imbalance, fertilizer and machine tool factories were developed at Taskent, Samarkhand and Stalinabad. Apart from these regions, Vladivostok, Komsomolsk are the other leading industrial cen¬tres developed in the far east of CIS.

4. Industrial Region: Asian Regions:

Until very recent period, no country in Asia had a sound industrial base. But, with the emergence of some countries like Japan, China, India, Korea, Taiwan in industrial sector, this region is now posing grave threat to the traditionally developed nations. In fact, regarding future industrialization of the world, Asia is frequently regarded as the dark horse.

(i) Japan:

The meteoric rise of Japan in the industrial scenario has shattered the long-established domination of European and North American countries. The output and efficiency of Japanese industry is now comparable with any other industrialized country in the world. Japan now dominates almost all key industries, ranging from heavy chemical, iron-steel, petro-chemical to Ferro-alloy, electrical, electronics, motor vehicles and other consumer products. At present, 35 per cent of the working people in Japan are engaged in manufacturing activities. In 1995, manu¬facturing in Japan contributed 38 per cent of the country's GNP.

Though Japanese industry had undergone a massive transformation in last two decades, the spatial distribution pattern of industries remained unchanged. The intricate relationship between import of raw materials and export of finished products forced the industries to locate near coastal areas.

The major industrial regions in Japan may be sub-divided into the following zones:

1. The Tokyo-Yokohama Region.

2. The Osaka-Kobe Region.

3. The Chukyo Region.

4. The North Kyushu Region.

1. The Tokyo-Yokohama Region:

This great industrial region covers the areas of two prefectures, namely Tokyo and Kanagawa. The entire region gradually developed taking base of two separate core, Tokyo on one hand and Yokohoma the other, The industrial boom of Japan and shortage of plane land forced the areas to merge with one another. Even in recent period, industry invaded into the neighbouring prefectures of Satima and Chiba.

At present, this area produces nearly 26 per cent of Japanese industrial products. At least 25 per cent of the total working population in Japan are engaged in this industrial conurbation.

In-spite of heavy agglomeration of industries in Tokyo-Yokohoma area, a change of decentralisation is discernible in the zone. At present, 5 out of 7 industries are selecting its location beyond Tokyo-Yokohoma region.

The reasons liable for this decentralization trends are:

(1) A heavy contestation in the area, which resulted escalation of land price, high wage rate of labours, worn out condition of the old and out-dated machinery etc.

(2) High land value and shortage of land, and

(3) Stiff competition etc.

In this famous industrial region, almost all types of industries are found. In Tokyo and adjacent territories of Yokohoma, Kawasaki, the major products are: iron and steel, refined oil, petro-chemical, heavy chemical, cement, footwear, toys etc. The eastern Tokyo, where industry first flourished, is still producing the traditional items. But most of the production is on the cottage industry level.

Along the coast lines of Tokyo Bay, the heavy manufacturing industries are located. Due to growing shortage of space for the new industrial ventures, efforts are on to reclaim the lands from the sea. In the west of Tokyo, new industrial centres like Fugigawa and Zame were developed to meet the growing demand of industrial space.

The oldest and most productive Tokyo-Yokohama industrial region possesses some distinct relative advantage over the other industrial regions of the country.

These reasons are:

(a) The rare flat lands of Kwanto region, un-parallel in mountainous Japan.

(b) Wonderful communication network, through rail, road and water ways with the rest of Japan.

(c) Presence of coal resources in nearby Joban coalfield initially favoured the growth of the industry.

(d) The abundant supply of skilled labour at a much cheaper rate.

(e) Rugged mountain rivers provided water resources for industrial purpose and hydel power generation.

2. The Chukyo Region:

Among the four industrial regions, development of Chukyo region is a comparatively recent phenomena. Here, separate group of industries flourished in separate region. Maximum concentration of industries in this region occurred in Nagoya.

The other notable agglomeration of industries occurred in Tokai, Yokkojchi etc. The major industrial establishments are iron & steel, petro-chemical, heavy chemicals and automobiles. The famous Toyota automobile manufacturing unit is situated in Chukyo region.

The earliest industrial establishments were mostly textile-based. But in the later period, the region had witnessed complete diversification of industries. At present, big industrial houses like Nippon, Mitsubishi and Toyota have their plants in Chukyo region.

The major factors responsible for the growth of the region are as follows:

(a) Like Tokyo-Yokohama, large extensive plain land favored the growth of industries in the Chukyo region.

(b) Large home market in Honshu and export facilities to foreign market through nearby ports.

(c) Easy communication provided by several trunk routes, rail, water and air routes.

(d) Availability of cheap, skilled labours.

3. The Osaka-Kobe Region:

The region situated around Osaka Bay was famous for industrialization from the middle of 17th century. Osaka-Kobe as industrial area was always in the forefront of industrial development and cheap competitor of Tokyo-Yokohoma from the very early phase of industrialization. After Meiji restoration, the pace of industrialization in this region had been accelerated.

The early industries in this zone were all traditional, like cotton textile, manufacturing of agricultural implements etc. After World Wars, pace of industrialization and diversification plan forced the industries to switch over to other non-traditional technology based industries, like petro-chem, high quality steel, electrical equipment's etc.

Though at present Osaka-Kobe region is the fore-runner among the industrial regions, acute shortage of space limits the growth of the region spatially. Moreover, this zone is gradually becoming dependent on the foreign market. The port of Kobe facilitates export.

Different industrial agglomerations like Moriguchi, Ibaraki, Kodoma etc. are now no more enjoying all the original locational advantages. Rather a migratory trend is noticeable in the last couple of years. Till now, the big industrial houses having big industrial enterprises are:

Hitachi, Mitsubishi, Matsuhita etc.

4. The North Kyushu-Setouchi Region:

Despite having no considerable flat land area within this industrial zone, industrial establishments thrived here, to serve the large hinterland on both sides on north and south.

The area covers large tracts of Hiroshima, Yamaguchi and Okayama and Kitakyashu. Large reserves of local coal and limestone reserves provided ample opportunities for early development of industries.

Compared to other three giant industrial agglomerations, this region is comparatively smaller

both in area and industrial output. The major industrial establishments of this region are coalbased industries, cement, petrochemicals and heavy machinery manufacturing. The major centres of production in this region are. Tokuyama, Kokura, Yawata and Wakamatsu.

Besides these four industrial regions, there are numerous industrial establishments scattered all over Japan. Of late, Hokkaido is also developing a sound industrial base. Considering the dynamic nature of Japanese industrial character and magnitude of production output, prospect of Hokkaido as a future site of industrial growth is very bright.

Japanese industrial regions had undergone several ups and downs. The relative position of the industrial regions experienced a sea-change following the remodelling of the industrial establishments; and to keep pace of changing mood of the customers, mostly foreign customers, manufacturing units in the nation also favoured the growth of machine tool industry.

Very soon, it surpassed the pre-war time production. The active participation of government, wage cut, cheap labour and high technological know-how helped the industry to grow vigorously. The industry now provides job to at least 7 million people.

(ii) China:

China is gradually becoming one of the most dominant industrial powers in the world. In the year 1995, China produced 48 per cent of her GDP. from industrial sector. During this year, China handled the trade of merchandise product worth $ 138,833 million import and $ 151,047 million of export.

The real development of industry in China began only after the installation of Communist rule in 1949. At present, (1990) 15 per cent of the labour force in China are engaged in manufacturing activities.

Chinese industrial system had gone through a complete transformation in last 50 years of Communist Rules. Old industrial policies were discarded and new policies were adopted.

States power is supervising industrial development of the country in a planned manner. Eradication of regional imbalance and dispersion of the industries were encouraged. Basic industries like iron- steel, chemicals, textiles were given priority.

On the basis of concentration of industries and their output, Chinese industrial regions may be sub-divided into following regions:

1. The Manchuria Region.

2. The Yantze Valley Region.

3. The North China Region.

4. The South China Region.

5. Other Regions.

1. The Manchuria Industrial Region:

Even prior to Communist regime, Manchuria developed as a industrial region. Several factors were responsible for the growth of this region. These were, developed agricultural hinterland, good transportation network, skilled labour, local capital and Japanese participation.

The setting up of Anshan steel plant in 1917 initially boosted the industrial growth. The Penki, Kungyuan, Heilungkiang, Kirin, Linkow steel plants were gradually established.

During 1960, Manchuria was able to contribute half of the Chinese iron-steel production. For availability of Fushun, Pehpiao coal, Penki, Kungchuling iron ore, not only iron and steel industry, several other metallurgical industries like machine building and heavy engineering industries were set up in Mukden,

Harbin, Fushun and Dairen. Besides, ferrous industries, heavy chemical plants were also developed in Manchuria.

2. The Yangtze Valley Region:

This is one of the leading industrial region in China. The major manufacturing units are concentrated in the regions of Wuhan, Nanchang, Chungking and Shanghai. Shanghai is the most important of all these regions. The port locations of the city enabled it to import raw materials and export finished products.

The old developed textile centres, within the region, initially helped to build up a large trading centre. In the later periods, small and diversified manufacturing units sprang up to feed the large hinterland of Shanghai.

The old steel plant, constructed by Japanese at Wuhan, attracted several other manufacturing units. The Anshan, Tayeh metallurgical region contributed more than half of Chinese steel output. The new centres at Hwangsikang, and Hankow possesses several industries like cement, heavy chemicals, automobiles, rail wagons, agricultural implements etc. The Nanchang-Kiangsi area was a traditional centre of pottery and ceramic manufacturing. Since Ming period, Nanchang became famous for the fine work of porcelain.

3. The North China Industrial Region:

The populous and mineral rich provinces of Shansi, Shensi, Shantung, Hopei, Jehol and Honan are well-developed in manufacturing activities. This is also one of the oldest industrial agglomeration of China. The earliest development in the region was of iron and steel industry.

The major plants were located around Tientsin and Taiyuan. The Beijing and Hopei also contains several mini steel plants. The Hopei iron ore and Tsingsing and Kailan coal were the early impetus for manufacturing units. Apart from iron and steel, heavy chemicals, textiles, paper, cement, leather, petro-chemical, aluminium production units are also concentrated at Beijing, Singtai, Shishkiaching etc.

4. Other Regions:

In recent decades, several small cities and interior river valleys were selected for the setting up of manufacturing units. The planned development of neglected and backward areas of Southern China received priorities. Selected centres were marked for rapid industrialization and overall development of the area.

Canton, Swatow and Minhow were the old port cities, where due to geographical advantages some industries came into being.

Industrial Regions: 8 Major Industrial Regions of India

Introduction

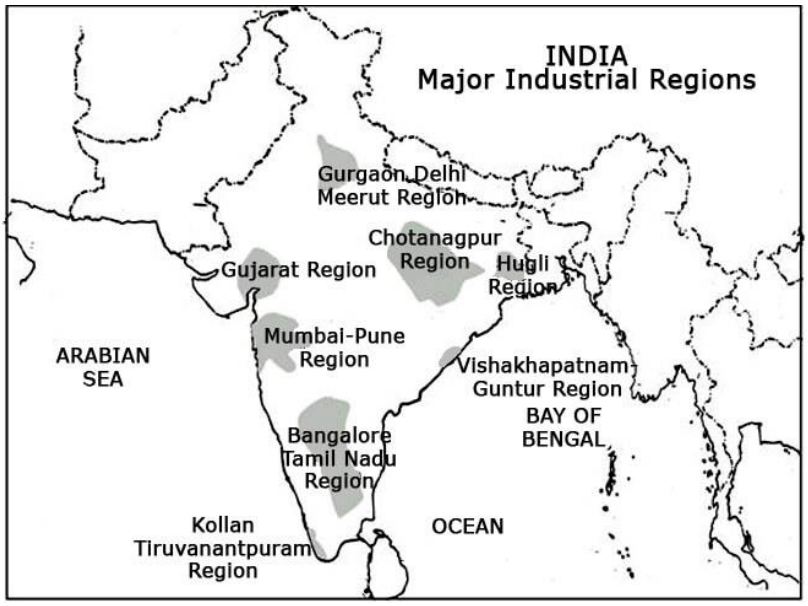
Industrial regions emerge when a number of industries locate close to each other and share the benefits of their closeness. They tend to concentrate on certain locations because of the favourable locational factors. India has several industrial regions like Mumbai- Pune cluster, Bangalore-Tamil Nadu region, Hugli region, Ahmedabad-Baroda region, Chottanagpur industrial belt, Vishakhapatnam-Guntur belt, Gurgaon-Delhi-Meerut region and the Kollam Thiruvanathapuram industrial cluster.

Several indices are used to identify the clustering of industries, important among them are:

- **The number of industrial units**
- **Number of industrial workers.**
- **Quantum of power used for industrial purposes.**
- **Total industrial output.**
- **Value added by manufacturing, etc.**

Industrial Regions in India

India has several industrial regions like Mumbai- Pune cluster, Bangalore-Tamil Nadu region, Hugli region, Ahmedabad-Baroda region, Chottanagpur industrial belt, Vishakhapatnam-Guntur belt, Gurgaon-Delhi-Meerut region and the Kollam Thiruvanathapuram industrial cluster. The Industrial region are discussed below:



1. Mumbai-Pune Industrial Region

It extends from Mumbai-Thane to Pune and in adjoining districts of Nashik and Solapur. Besides, industrial development has been rapid in Kolaba, Ahmednagar, Satara, Sangli and Jalgaon districts. Development of this region started with the location of cotton textile industry in Mumbai. Mumbai, with cotton hinterland and moist climate favoured the location of

cotton textile industry. Hydro-electricity was developed in the Western Ghats region to meet the requirements of this industry. With the development of cotton textile industry, chemical industry also developed. Important industrial centres are Mumbai, Kolaba, Kalyan, Thane, Trombay, Pune, Pimpri, Nashik, Manmad, Solapur, Kolhapur, Ahmednagar, Satara and Sangli.

2. Hugli Industrial Region

It extends from Bansberia in the north to Birlanagar in the south for a distance of about 100 km along the Hugli River. Industries also has developed in Mednipur in the west. Kolkata-Haora from the nucleus of this industrial region. Kolkata emerged as a leading centre of the country. Later, Kolkata was connected with interior parts by railway lines and road routes. Development of tea plantations in Assam and northern hills of West Bengal, the processing of indigo earlier and jute later coupled with the opening of coalfields of the Damodar Valley and iron ore deposits of the Chotanagpur plateau, contributed to the industrial development of the region. Cheap labour available from thickly populated part of Bihar, eastern Uttar Pradesh and Orissa also contributed to its development.

3. Bangalore-Chennai Industrial Region

This region witnessed most rapid industrial growth in post-Independence period. Till 1960, industries were confined to Bangalore, Salem and Madurai districts but now they have spread over all the districts of Tamil Nadu except Viluppuram. Since, this region is away from the coalfields; its development is dependent on the Pykara hydroelectric plant, which was built in 1932. Cotton textile industry was the first to take roots due to the presence of cotton growing areas. Along with cotton mills, loom industry spread very rapidly. Several heavy engineering industries converged at Bangalore. Aircraft (HAL), machine tools, telephone (HTL) and Bharat Electronics are industrial landmarks of this region. Important industries are textiles, rail wagons, diesel engines, radio, light engineering goods, rubber goods, medicines, aluminium, sugar, cement, glass, paper, chemicals, film, cigarette, match box, leather goods, etc. Petroleum refinery at Chennai, iron and steel plant at Salem and fertiliser plants are recent developments.

4. Gujarat Industrial Region

The nucleus of this region lies between Ahmedabad and Vadodara but this region extends upto Valsad and Surat in the south and to Jamnagar in the west. Development of this region is also associated with the location of the cotton textile industry since 1860s. This region became an important textile region with the decline of the cotton textile industry at Mumbai. Located in cotton growing area, this region has double advantage of the proximity of raw materials as well as of market. The discovery of oil fields led to the establishment of petrochemical industries around Ankleshwar, Vadodara and Jamnagar. The port at Kandla helped in the rapid growth of this region. Petroleum refinery at Koyali provided raw materials to a host of

petrochemical industries. The industrial structure is now diversified. Besides, textiles (cotton, silk and synthetic fabrics) and petrochemical industries, other industries are heavy and basic chemicals, motor, tractor, diesel engines, textile machinery, engineering, pharmaceuticals, dyes, pesticides, sugar, dairy products and food processing. Recently, largest petroleum refinery has been set up at Jamnagar. Important industrial centres of this region are Ahmedabad, Vadodara, Bharuch, Koyali, Anand, Khera, Surendranagar, Rajkot, Surat, Valsad and Jamnagar.

5. Chotanagpur Region

This region extends over Jharkhand, northern Orissa and western West Bengal and is known for the heavy metallurgical industries. This region owes its development to the discovery of coal in the Damodar Valley and metallic and non-metallic minerals in Jharkhand and northern Orissa. Proximity of coal, iron ore and other minerals facilitated the location of heavy industries in this region. Six large integrated iron and steel plants at Jamshedpur, Burnpur- Kulti, Durgapur, Bokaro and Rourkela are located within this region. To meet the power requirement, thermal and hydroelectric plants have been constructed in the Damodar Valley. Densely populated surrounding regions provide cheap labour and Hugli region provides vast market for its industries. Heavy engineering, machine tools, fertilisers, cement, paper, locomotives and heavy electrical are some of the important industries in this region. Important centres are Ranchi, Dhanbad, Chaibasa, Sindri, Hazaribag, Jamshedpur, Bokaro, Rourkela, Durgapur, Asansol and Dalmianagar.

6. Vishakhapatnam-Guntur Region

This industrial region extends from Vishakhapatnam district to Kurnool and Prakasam districts in the south. Industrial development of this region hinges upon Vishakhapatnam and Machilipatnam ports and developed agriculture and rich reserves of minerals in their hinterlands. Coalfields of the Godavari basin provide energy. Ship building industry was started at Vishakhapatnam in 1941. Petroleum refinery based on imported petroleum facilitated the growth of several petrochemical industries. Sugar, textile, jute, paper, fertiliser, cement, aluminium and light engineering are principal industries of this region. Important industrial centres are Vishakhapatnam, Vijayawada, Vijaynagar, Rajahmundry, Guntur, Eluru and Kurnool

7. Gurgaon-Delhi-Meerut Region

This region is located far away from the mineral and power resources, and therefore, the industries are light and market-oriented. Electronics, light engineering and electrical goods are major industries of this region. Besides, there are cotton, woollen and synthetic fabrics, hosiery, sugar, cement, machine tools, tractor, cycle,

agricultural implements, chemical and vanaspati industries which have developed on large scale. Software industry is a recent addition. To the south lies the Agra-Mathura industrial area which specialises in glass and leather goods. Mathura with an oil refinery is a petrochemical complex. Among industrial centres, mention is made of Gurgaon, Delhi, Shahdara, Faridabad, Meerut, Modinagar, Ghaziabad, Ambala, Agra and Mathura.

8. Kollam-Tiruvanantapuram Region

This industrial region is spread over Tiruvanantapuram, Kollam, Alwaye, Ernakulam and Alappuzha districts. Plantation agriculture and hydropower provide industrial base to this region. Located far away from the mineral belt of the country, agricultural products processing and market oriented light industries predominate the region. Among them, cotton textile, sugar, rubber, matchbox, glass, chemical fertiliser and fish-based industries are important. Food processing, paper, coconut coir products, aluminium and cement industries are also significant. Important industrial centres are Kollam, Tiruvanantapuram, Alluva, Kocchi, Alappuzha, and Punalur.

Short and Long Essay type Questions for Self-Assessment:

1. What is meant by the term ‘industry’?
2. Which are the main factors which influence the location of an industry?
3. Which industry is often referred to as the backbone of modern industry and why?
4. Why cotton textile industry rapidly expanded in Mumbai?
5. What are the similarities between information technology industry in Bengaluru and California?
6. What is the Role of Industries in Economic Development of any Country?
7. State the Factors of Industrial Location? What according to you is the most important amongst the Raw materials, Power, Market, Transport and Communications, Land, Capital, Technology and why?
8. Explain the Webers Theory of Industrial Location with example?
9. What are the defects of Weber's theory of industrial location?
10. What are the 3 main factors to consider when determining industrial location according to Weber?
11. What are the criticisms of Weber's theory?
12. What are the basic assumptions of Weber's theory?
13. Compare Iron and Steel Industry of India & USA in recent scenario?
14. Mention the development of Cotton Textile Industry in India & USA in last two decades?
15. Engineering Industry in India- Major Industrial Regions of the Word and India?

Scan the below **QR codes** for Free Open Access Resources for MCQ's & Video etc. on

Unit 4: Industries

Video on Factors of Industrial Location	**MCQs on Economic Development**
Video on Webers Theory of Industrial Location	**MCQs on Theory of Industrial Location**
Video on Industries	**MCQs on Industries**

References and Further Readings

- Ahluwalia, I.J. (1991), Productivity and Growth in Indian Manufacturing. Oxford University Press, New Delhi.
- Ahsan, Ahmad and Pages, Carmen (2009), 'Are all Labor Regulations Equal? Evidence from Indian Manufacturing', Journal of Comparative Economics, 37(1), 62–75.
- Ahsan, R. and Mitra, D. (2014), 'Trade Liberalization and Labors Slice of the Pie: Evidence from Indian Firms', Journal of Development Economics, 108, 1–16.
- Arbache, Jorge S. (2004), 'Does Trade Liberalization Always Decrease Union Bargaining Power?', Economia, 5 (1), 99–121.
- Ashton, Thomas S. "The Standard of Life of the Workers in England, 1790–1830." In Friedrich A. Hayek, ed., Capitalism and the Historians. Chicago: University of Chicago Press, 1954.
- Ashton, Thomas S. The Industrial Revolution: 1760–1830. London: Oxford University Press, 1948.
- Brown, John C. "The Condition of England and the Standard of Living: Cotton Textiles in the Northwest, 1806–1850." Journal of Economic History 50 (1990): 591–615.
- Crafts, Nicholas F. R. British Economic Growth During the Industrial Revolution. New York: Oxford University Press, 1985.
- Goldmann, Kjell; Ulf Hannerz and Charles Westin. (2000). Nationalism and Internationalism in the Post Cold-War Era.Routledge, London.
- Harrison, Ewan. (2004). The Post-Cold War International System: Strategies, Institutions and Reflexivity. Routledge, New York.
- Hsieh, Chang-Tai and Klenow, Peter J. (2009), 'Misallocation and Manufacturing TFP in China and India', The Quarterly Journal of Economics, 124(4), 1403–1448.
- Ikenbery, John; Michel Mastanduno and William C Wohlforth (eds). (2011).
- ILO (2017), The World Employment and Social Outlook 2017, Trends, Labour Market Trends and Policy Evaluation Unit of the ILO Research Department.
- International Relations Theory and Consequence of Unipolarity, Cambridge University Press, Cambridge.
- International Relations Theory and the End of Cold War, Columbia University Press, Columbia.
- J. Ruggie, ed. (1993). Multilateralism Matters: The Theory and Praxis of an Institutional Form, New York, Columbia University Press.
- Johari, J C. (2014). International Relations and Politics - Theoretical Perspectives in the Post - Cold War Era, Sterling Publishers, New Delhi.

- **Keersmaeker, Goedele De. (2018). Polarity, Balance of Power and International Relations Theory: Post-Cold War and the 19th Century Compared, Springer International Publishing.**
- **Khanal, Soma Raj, Surendra Thapa Aslami and Sitaram Dhakal. Business Studies. Kathmandu: Taleju Prakashan, 2067.**
- **Krasner, S. (ed.). (1983). International Regimes, Cornell University Press, Ithaca.**
- **Lebow, Richard Ned Lebow and Thomas Risse-Kappen (eds). (1995).**
- **Lundestad, Geir. (ed) (2013). International Relations Since the End of the Cold War: New and Old Dimensions, Oxford University Press, Oxford.**
- **Pant, Prem R., et al. Business Studies. Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd., 2010.**
- **Waltz, Kenneth N. (1979).Theory of International Relations, Waveland Press, Long Grove.**
- **Watson, Dale C. (2007). Geopolitics and Great Powers in the 21st Century: Multipolarity and the Revolution in the Strategic Perspective, Routledge, New York.**

Research Column II
(Multi-disciplinary)

Dr. Rajeev Vashisht is an Assistant Professor in the Dept. of Commerce, Rajdhani College, University of Delhi. He has teaching experience of more than fifteen Years in Delhi University. He has done B.Com. (Hons.), M.Com. & Ph.D. and has a brilliant academic record. His areas of interest include Finance, Accounting, and Law & Management.

Dr. Shraddha Wani is an Assistant Professor in RAICSIT College, Wardha, Maharashtra, having experience of 11years of teaching to different subjects of graduate and post-graduate level. She is MBA, PH.D. & MCM. She has published many papers in National & International journals. She is an eminent speaker at National level.

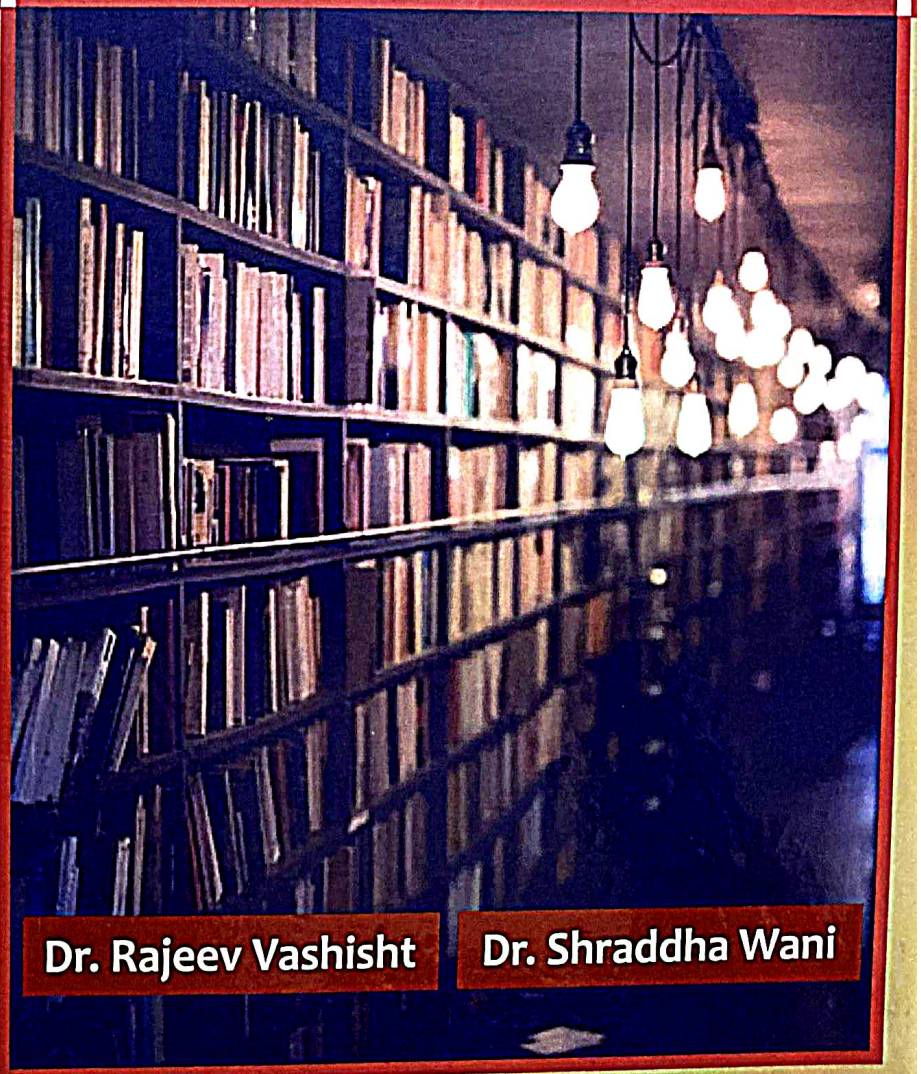
Recherche Foundation
25, Ganga Puram, Rajpura Road, Near Yashoda Kunj,
Meerut, Uttar Pradesh, India-250001
Mobile: +91-8630997785
Email: rechefoundation@gmail.com
Website: www.rechefoudation.wordpress.com

Price: ₹950.00

ISBN: 978-81-947764-8-2

Research Column II (Multi-disciplinary)
Dr. Rajeev Vashisht
Dr. Shraddha Wani

Research Column II
(Multi-disciplinary)



Dr. Rajeev Vashisht
Dr. Shraddha Wani

Chapter-1

A Comparative Analysis of Fastag an Electronic Toll Collection System with Conventional System for Highways

Dr. Shraddha M Wani
Assistant Professor, Dept. of Management
RAICSIT College, Wardha, Maharashtra

Abstract

Conventional System

Toll system is a road pricing to vehicles on highways for the maintenance and construction of roads .Toll ways charge fees for motor vehicles only, not to the person on footway, horses or bullock carts or two and three wheelers. The Price of the toll usually differs by vehicle type, weight, or number of axles, with freight trucks often charged higher blame for this type of toll was raised because of the time taking to stop and pay the toll and cash is mandatory, in some cases to stop at tolls means to face traffic congestion and waste of time by which air pollution is created at places results in lots of diseases. The drawback to such toll taxes being taken from travelers is that some disobedient travelers run off from the place without paying the money.

Fastag

The present study will focus on the electronic toll collection system for highways which is Radio Frequency Identification tag (RFID), facilitates electronic payment of fees at to plazas, procedure to apply, rules and regulations for Fastag. The study will show the impact over the toll system which was analog and was a system in

which works on instant cash paying and helps in better management of highway system. Fastag was introduced by the Government of India in October 2017 by the Ministry of Road Transport and Highway. The ministry of road transport and highways has clarified that this has been done to encourage digital payments (cashless payments) through digital mode, decrease waiting time and fuel consumption and to keep traffic moving as quickly as possible. Fastag can be linked to insurance policies helping customers to away with the urgency of carrying the policy documents.

Keywords: *Fastag, Electronic toll, Radio Frequency Identification tag, Ministry of Road Transport, Toll Plaza, Conventional tolls.*

Introduction

In India, a kind of system is being incorporated in form of the FASTag which is a electronic toll collection Prepaid System for Highways which is Radio Frequency Identification tag. The Fastag was founded in November 4, 2014 and was made mandatory from February 15 2021. This measure was taken keeping in scrutiny several inconveniences for both individual drivers and the nation. The plan has been approach for digital paying of tolls for travelers for quick paying and saving time and money by saving energy as petrol and diesel at the toll plazas. The amount is taken by Government for the maintenance and construction of roads, bridges, tunnels. Fastag was implemented on 2017 by National Highway authority of India (NHAI) and mandatory on the National Highways. Highways Minister Nitin Gadkari has announced that all vehicles must have FASTags or face certain penalties. Fastag is a payment which is taken for Fastag beneficial both to the passengers as well as to the toll management authorities.

FASTag is a RFID tag which is linked with a payment tool and can be easily affixed on the windscreen of any vehicle by which code gets scans by special detectors which senses and money get deducted. The RFID is (Radio Frequency Identification tag) a reader fixed at the toll plaza which reads the FASTag and automatically deducts the toll fare from the linked account or two way travelling valid for 24 hours. RFID is a chip

where data can be stored. Fastag is mandatory as if anyone passes without paying charged double. Fastag lanes are available on over 500 national and state highways and over 54.6 lakh car allowed with Fastag.

Fastag card can be activated from 22 authorized banks. Activation involves the registration of the card with your vehicle along with a linked payment method. This payment method can either be a digital wallet or from any bank account (savings or current). Digital wallet (pay tm as example) method is just like recharging your mobile. You can recharge up to 1 lakh in your wallet for fastag. To get the fastag done for vehicles we can download the application from goggle play store online. Once you download we need to provide details of your vehicle, which includes vehicle registration number, vehicle type, etc. or we can get it done on highways by third-party. After linking the fastag with bank we don't need to recharge it we just need to have only sufficient balance to make toll free payments. A sticker is pasted to the windshield of vehicle & toll booths scan the card and payment gets automatically deducted. To encourage digital payment for tolls all the cars made mandatory to tags when sold. According to statistics 12000 crore rupees are being in cash by the Indian government annually.

The procedure fastag is to avail the tags one must submit the documents such as identity proof and residential proof, vehicle's registration certificate (RC) and your passport size photo while online or offline. If we have one two cars we have to tag them separately.

Research Methodology

The present study is based on qualitative research method due to its improved approach on the experience as well as context of utilizing Information and Communication Technology. The Researcher has adopted an analytical, descriptive and comparative methodology for this report; reliance has been placed on books, journals, newspapers and online databases and on the views of writers in the discipline of competition law.

Objectives

1. Comparative analysis of conventional toll system with fastag an electronic system.

2. To understand the concept of Fastag imposed by National Highways Authority of India.

3. To know the benefits of fastag incorporated by the Union Ministry of Road Transportation and Highways.

4. To analyze the role of Fastag and procedure for applying.

Hypothesis

H_1. The Fastag an electronic system which is automatic and quick process compare to conventional systems.

H_2. The process of fastag is fully Digitalize and easy method.

H_1 The Fastag an electronic system which is automatic, quick & energy saving compare to conventional systems.

Table-1

Comparison of various systems

Criteria	*Conventional Systems*	*RFID*	*FASTag*	*Book My Toll (as per system description)*
Time Consumption	*High*	*Average*	*Average*	*Average*
Fuel wastage	*High*	*Low*	*Low*	*Low*
Traffic	*High*	*Average*	*Average*	*Average*
Payment Mode	*Cash/Debit Card/Credit Card*	*Online*	*Online*	*Online*
Processing	*High*	*Average*	*Average*	*Average*

The above table data is the comparison of other systems to conventional system. According to the present scenario Fastag service is better because the time consumption to take stop and pay tolls is saved, fuel gets saved as no rush to pay and no stops, traffic can be controlled and air pollution also can be controlled and surely payment is easy as just the code on tag is scanned . Hence H_1 hypothesis is proved.

H_2. The process of fastag is fully Digitalize and easy method.

Screenshots showing ratings of customers, paytm (UPI), fast tag application.

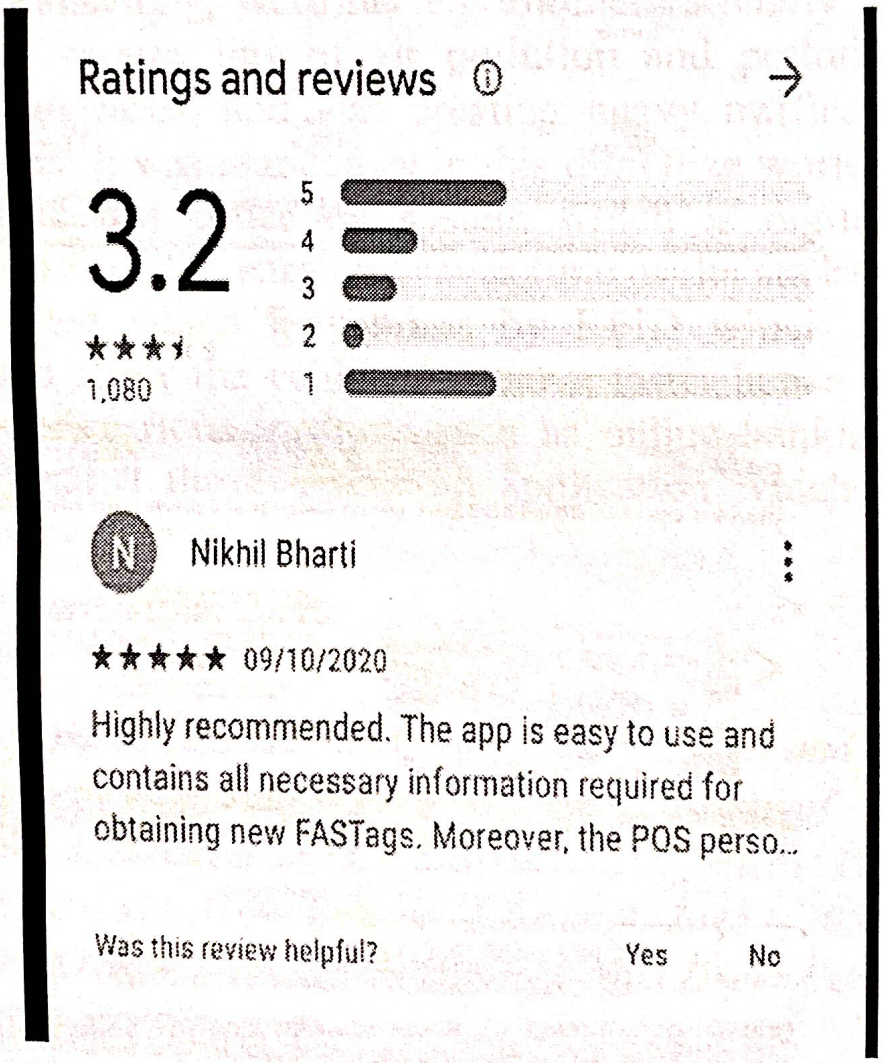


Image-1

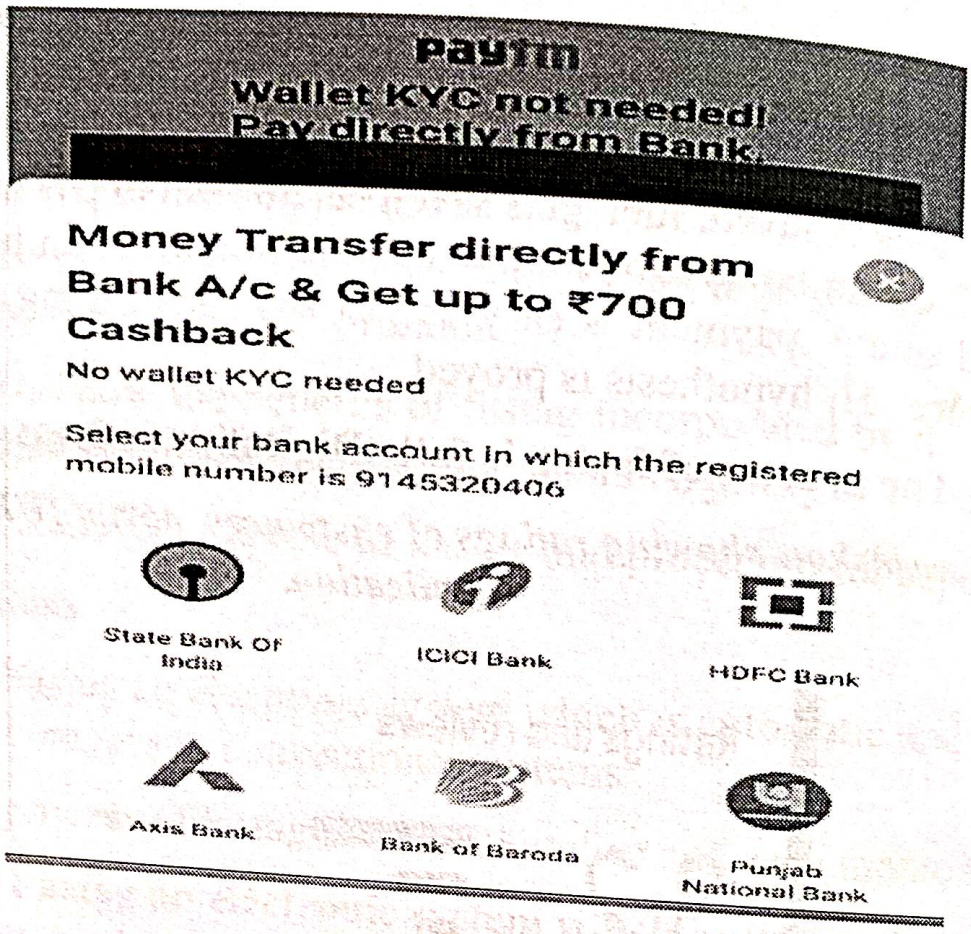


Image-2

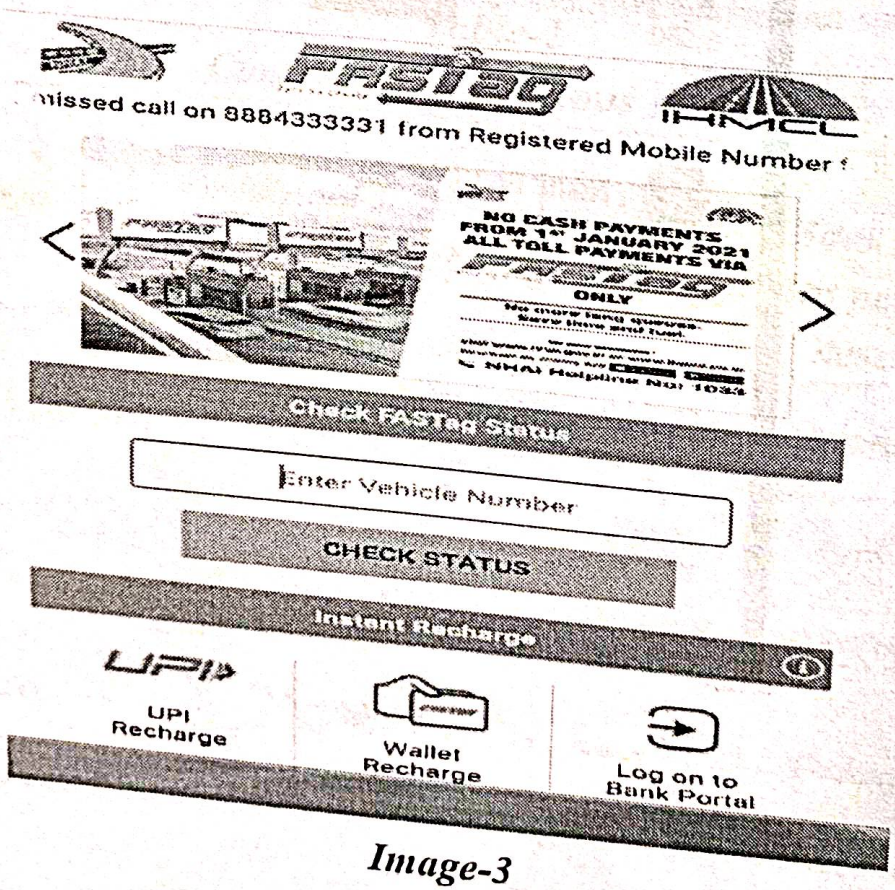


Image-3

The screenshots shows the easy installation of application in mobile phones and can be download using play store and fastag is available in many UPI's and can be done through 22 different banks by linking fastag to the bank account, so whenever the vehicle passes the amount from the respective bank gets automatically deducted. Here the screenshot is added which tells the ease of using the system through positive feedback. Hence H_2 hypothesis is proved.

Conclusion

The manual toll plazas which is conventional systems which was time consuming, were not environment friendly as stop on such plazas creates lots of air pollution and pollution invites respiratory diseases, and was creating heavy traffic, was slow system and cash was mandatory in this digitalize world. Fastag is an electronic toll collection system which is digitalized and environment friendly, easy and saves time as the sticker of fastag card is pasted which gets scans by RFID which reads data speedily and allow the vehicles to move faster hence control air pollution and various methods such as online banking, wallets and credit cards through android application which is a easy method for customers.

References

1. *Refer from International Journal on Recent and Innovation Trends in Computing and Communication of "Electronic Toll Collection (ETC) System Using Wi-Fi Technology" ISSN: 2321-8169, Volume: 3 Issue: 4. 2045 – 2050.*
2. *"FASTag will become mandatory from December 15, 2019". Economic Times. Retrieved 2 December 2019.*
3. *"Official FAQ" (PDF). NHAI. Retrieved 10 November 2017.*
4. *Writer, Staff (9 January 2019). "Coming soon: Pay at petrol pumps in seconds using FASTags". Live mint.com. Retrieved 9 January 2019.*

The Board of

red'shine

PUBLICATION

Is hereby Awarding this Certificate to

Dr. Shraddha M Wani

In recognition of the publication of the chapter

"NEED OF MANAGEMENT INFORMATION SYSTEM TO IMPROVE CORPORATE PERFORMANCE"

In the peer-reviewed edited book entitled

"EMERGING TRENDS IN MULTIDISCIPLINARY SUBJECTS FOR RESEARCH (VOL-II)",

Edited by Dr. Arup Kumar Sarkar, Dr. S. M. Yamuna, Dr. R. Jayanthi, Dr. R. Thanga Sheela, Dr. K. R. Manjula & Dr. Jayanta Kr. Boruah

Published in Category of Edited Book
October, 2021, (First Edition)

ISBN: 978-93-91479-85-5 | ISBN-10: 93-91479-85-5 | DIP: 18.10.9391479855 | DOI: 10.25215/9391479855

www.redshine.co.in

Dr. Arup Kumar Sarkar
Ph.D., M.Com (Gold Medalist), M.B.A. NET (UGC), B.Ed., D.F.A.S.
Assistant Professor, Department of Commerce
Uluberia College affiliated to the University of Calcutta

CERTIFICATE NUMBER 9391479855519

REDSHINE CERTIFIED

Dr. Devendra N. Vyas has acquired his Ph.D. degree in Account & Statistics from SGBAU Amravati University and has 25 years of teaching experience at UG & PG level of various subjects in Commerce and Management. Presently, he is Principal of Smt. Radhadevi Goenka College for Women, Akola. He is recognized Supervisor of Ph.D. of SGBAU, Amravati University and RTM Nagpur University, Nagpur. Under his able guidance five students have been awarded Ph.D. He is Assessor for Accreditation of Institutions NAAC, Bengaluru. He is Chairman of BOS in Business Economics Board under the faculty of Commerce & Management as well as Member of Academic Council, SGBAU. Also, working as a Member of Research Recognition Committee in the faculty of Commerce & Management. His many research papers have been published in various National & International journals. He authored 'Economics of Development'. He has Chaired many sessions and also been invited as a resource person in National Level Seminars, Workshops and Conferences. Minor & Major Research Project funded by UGC in his credit.

Dr. Rupa Gupta is working as an Assistant Professor of Commerce in Smt. Radhadevi Goenka College for Women, Akola, teaching at U.G and P.G. levels. She is expertise in the area of Commerce, Finance, Economics, English, Sanskrit Literature, Yoga & Psychology. She has Guided & Supervised Research Projects of many students of Commerce & Management. She is Counselor of M. Com & M.B.A. in YCMOU Centre at Smt. L.R.T. College, Akola. She is SPOC of NPTL. She is Co-ordinator of Dept. of Self-Learning & CPBFI. She is a Co-author of 'Economics of Development'. She has published research papers in National & International Conferences & Research Journals. Apart from this, she is Motivational Speaker and Meditation Trainer.

Aadhar Publication
New Hanuman Nagar, Infront of Pathyapustak Mandal, VMV Road, Amravati -444604
Email - aadharpublication@gmail.com, M.: 9595560278

ISBN 978-93-91305-02-4

A Multidisciplinary & Multilingual Book on

Innovative Best Practices in 21st Century (Opportunities & Challenges)

Editors
Dr. Devendra N. Vyas
Dr. Rupa Z. Gupta

Research Methodology: -

The present study is based on qualitative measures used due to its improved context of technology. The researcher has adopted an analytical, descriptive and comparative methodology for this report reliance on articles, journals, newspapers, online data source and views and reviews of customers.

Research Design:-

The research is done by an exploratory approach by analyzing satisfaction level of customers, and also analyzing why do customers prefer online booking of OYO rooms.

Aims & Objectives of the study: -

1) The study focuses on the customer taste which changes over period of time to get extraordinary service avail by hotel industry.
2) To focus on the branding strategies used by OYO to gain profit.
3) To identify the factor which the customer wish for in online booking of hotels.
4) To know why the brand is so competitive.

Hypotheses: -

H_1 The ratings and reviews are very good providing excellent hospitalities.
H_2 OYO provides discounts & coupons to customers.

H_1 The ratings and reviews are very good providing excellent hospitalities.

Ratings	Customer preference in percentage
5*	64%
4*	11%
3*	5%
2*	4%
1*	14%

The above table shows the percentage of hospitality provided by hotels and the customer preferences for OYO rooms, the customers are satisfied and showing the preference ratings validates the quality provided by the hotel groups. Hence, H_1 is proved.

H_2 OYO provides discounts & coupons to customers.

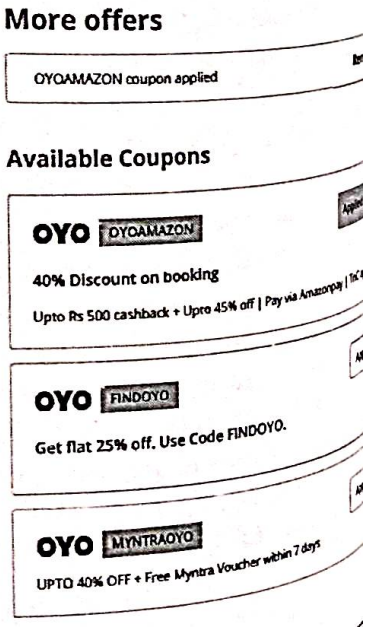


Fig.1 Ratings and review of customers.

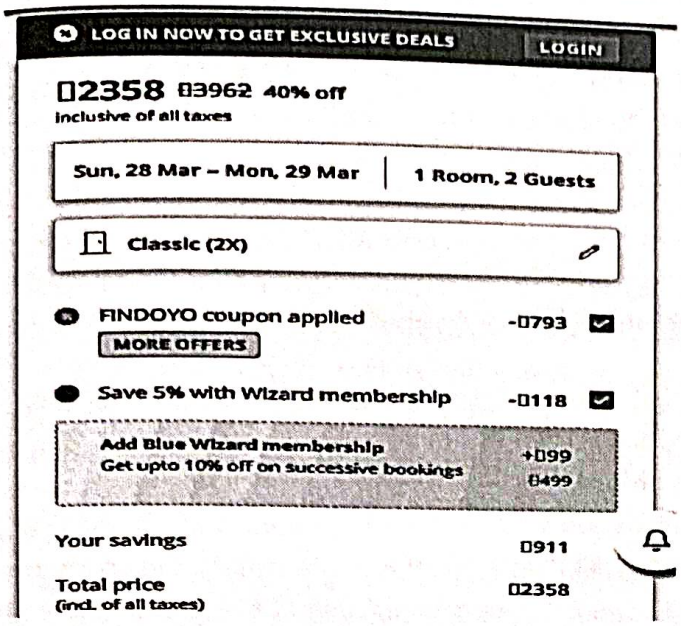


Fig.1.1 Offers & discounts to customers.

The above screenshots shows the various coupons & discounts offers given by OYO hotel industries which attracts the customers to apply to. The discounts varies from 20-65% .The available coupons are from amazon, myntra, findoyo and many more. Hence, H_2 is proved.

Conclusion: -

It is concluded from the Research that the customers find a easy way of booking hotels online getting an exact view of rooms, ambience, one click booking on the way, no tensions of finding rooms at the places of their destinations. Various Discount offers, affordable prices, convenience facility using the app, websites, personal safety and security, distinct quality of hotel rooms, comfortable check ins check outs ,easy cancellation of bookings, Quick and fast response of staff to solve problems, brand portfolio of OYO are the most important motivating factors behind choosing OYO Rooms .

References:-

1. "With 8.5 lakh rooms, Oyo claims third spot globally". Moneycontrol.com. 10 July 2019.
2. "How OYO became India's 3rd best company to work for in just 6 years". The Financial Express (India). 7 April 2019.
3. Gooptu, Biswarup (22 May 2019). "OYO claims to be second-largest hotel group in China". The Economic Times.
4. Mishra, Aparna (12 January 2016). "OYO Rooms Goes International; Launches in Malaysia". Inc42.
5. "OYO expands international presence with hotel launch in Nepal". Business Standard. 27 April 2017.
6. "OYO and SoftBank form JV to launch hotels business in Japan". The Economic Times. 4 April 2019.
7. "OYO expands international presence entering Sri Lanka". Daily Mirror. 14 December 2018.
8. Philip Kotler, Kevin Lane Keller, Abraham Koshy, and Mithileshwar Jha. (2013) „Marketing Management - A south AsianPerspective", 14th Edition, Pearson Education, Inc. and Dorling Kindersley Publishing Inc". New Delhi, p 335.
9. Viitanen, J., V. Liljander, M. Pura & A.C.R. Van Riel (2003) Customer loyalty to content-based web sites: The case of an online health care service, Journal of Services Marketing, 17, forthcoming.
10. Rong, J. et al. A contrast analysis of online hotel web service purchasers and browsers. International Journal of HospitalityManagement, 28(3):466–478, 2009.

Dr. Devendra N. Vyas has acquired his Ph.D. degree in Account & Statistics from SGBAU Amravati University and has 25 years of teaching experience at UG & PG level of various subjects in Commerce and Management. Presently, he is Principal of Smt. Radhadevi Goenka College for Women, Akola. He is recognized Supervisor of Ph.D. of SGBAU, Amravati University and RTM Nagpur University, Nagpur. Under his able guidance five students have been awarded Ph.D. He is Assessor for Accreditation of Institutions NAAC, Bengaluru. He is Chairman of BOS in Business Economics Board under the faculty of Commerce & Management as well as Member of Academic Council, SGBAU. Also, working as a Member of Research Recognition Committee in the faculty of Commerce & Management. His many research papers have been published in various National & International journals. He authored 'Economics of Development'. He has Chaired many sessions and also been invited as a resource person in National Level Seminars, Workshops and Conferences. Minor & Major Research Project funded by UGC in his credit.

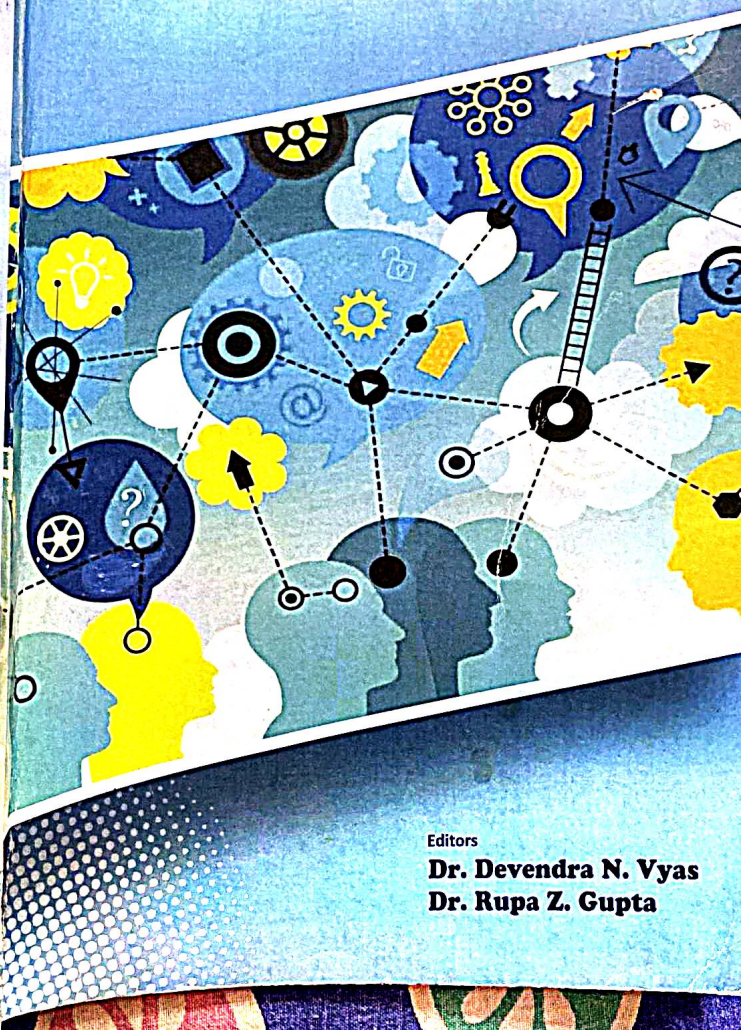
Dr. Rupa Gupta is working as an Assistant Professor of Commerce in Smt. Radhadevi Goenka College for Women, Akola, teaching at U.G and P.G. levels. She is expertise in the area of Commerce, Finance, Economics, English, Sanskrit Literature, Yoga & Psychology. She has Guided & Supervised Research Projects of many students of Commerce & Management. She is Counselor of M. Com & M.B.A. in YCMOU Centre at Smt. L.R.T. College, Akola. She is SPOC of NPTL. She is Co-ordinator of Dept. of Self-Learning & CPBFI. She is a Co-author of 'Economics of Development'. She has published research papers in National & International Conferences & Research Journals. Apart from this, she is Motivational Speaker and Meditation Trainer.

Aadhar Publication
New Hanuman Nagar, Infront of Pathyapustak Mandal, VMV Road, Amravati -444604
Email - aadharpublication@gmail.com, M.: 9595560278

ISBN 978-93-91305-02-4
978-93-91305-02-4

A Multidisciplinary & Multilingual Book on

Innovative Best Practices in 21st Century (Opportunities & Challenges)



Editors
Dr. Devendra N. Vyas
Dr. Rupa Z. Gupta

Research Column-III

Dr. Kumar Ratnesh is qualified management professional (M.B.A, PhD) with 14 years of valuable, in depth and extensive experience in Academics, Research & Development and Administration. He is currently working as an Associate Professor in Management Department at Dewan Institutes of Management Studies, affiliated to AKTU, Lucknow. He received an MBA degree in Marketing and Human Resource from Uttar Pradesh Technical University, Lucknow with a Ph.D. degree in Service Branding from Mewar University Rajasthan. He is Gold Medalist in Brand Management and Consumer Behavior certifications from IIM Bangalore. He is having more than six Indian and International Patent and Copyright on different topics. He has published more than 35 Research papers in Scopus/ABDC/International/National Journals with more than 32 Research papers presented in different International and National conferences. He has also completed more than ten AICTE/IIK/IIM/UGC sponsored FDP's. His current research interests include Service Banding, Consumer Behavior, Predictive Analytics, Business Analytics and Application of AI & IOT in Management field.

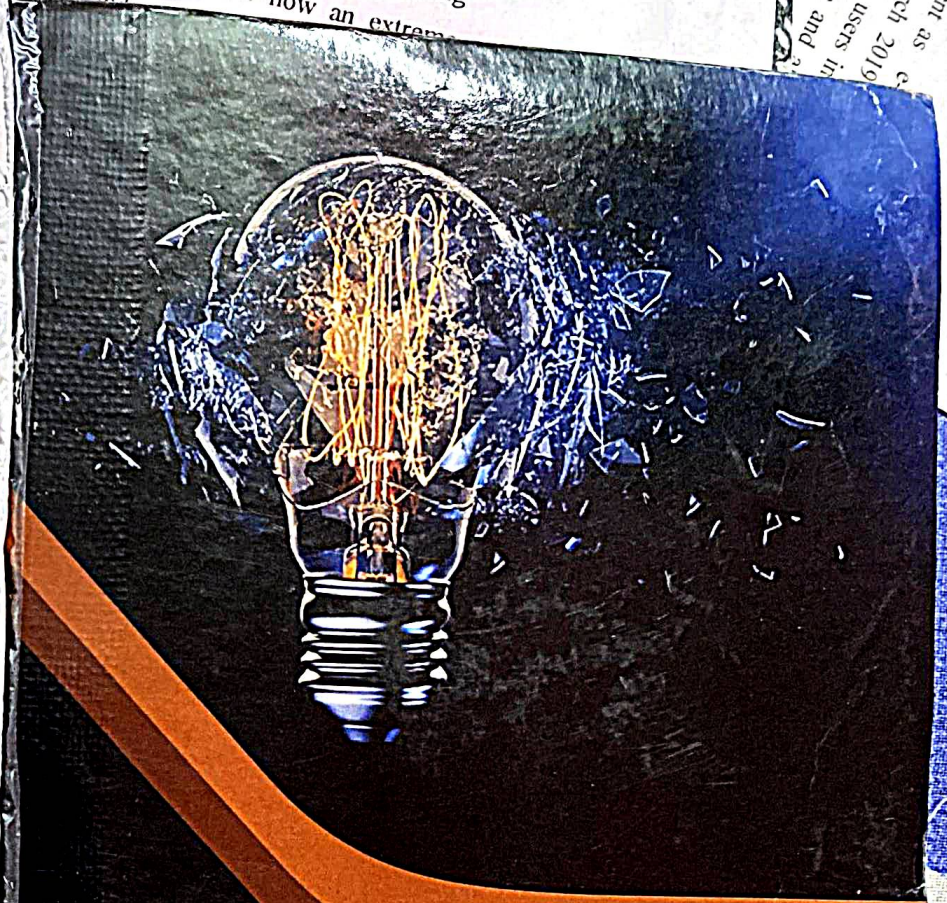
Dr. Santosh Kumar Sharma is an Associate Professor in the Dept. of Education, Motherhood University, Roorkee, Uttarakhand. He has teaching experience of more than ten years in well reputed Institutes. He has done M. Ed., Ph.d., M. Sc. (Mathematics & Physics), M.A. (Public Administration) and has a brilliant academic record. He participated and presented paper in various national and international seminar. He has been awarded from academic excellence awards and certificate of appreciation.

Recherche Foundation
25, Ganga Puram, Rajpura Road, Near Yashoda Kunj,
Meerut, Uttar Pradesh, India-250001
Mobile: +91-8630997785
Email: rechefoundation@gmail.com
Website: www.rechefoudation.wordpress.com

Price: ₹950.00
ISBN: 978-81-947764-2-0
9 788194 776420

Research Column-III

Dr. Kumar Ratnesh
Dr. Santosh Kumar Sharma



Research Column-III

Dr. Kumar Ratnesh
Dr. Santosh Kumar Sharma

Chapter-6

An Analytical study of Crises and Poverty Due to COVID-19

Dr. Shraddha M. Wani
Assistant Professor, Dept. of Management
RAICSIT, Wardha

Abstract

The current review has covered all the crises which had occurred due to the pandemic covid-19. Also the study covered the poverty level of people in India from middle level to low level and low level to under poverty level. The level of poverty is considered as the level where people have no financial resources necessary for minimum standard of living and the poverty means the income level is so low that person cannot effort basic needs. When talked about the poverty level of India which is a developing country and economy is in growing stage; Poverty is a major challenge.

This analytical study shows the crises in all the sectors due to pandemic going non-stop all over the countries more than one year. There are many sectors which have nearly caught under recession viz; Manufacturing industries, educational institutions, Construction, road and highways ,medical industries, retail, software, IT, communications etc.

Unemployment which is the utmost issue of country like India has again come under major crises. The country like India where the population is majority of Youngsters now has under poverty and unemployment. Covid-19 infections has led to lockdowns which has ended the income of source to many people and which has pulled many people under poverty and poor people into more deeper poverty. The economic slowdown due to pandemic resulted to millions of people to get two times meal. People are dying due to covid-19 where as people under poverty are dying due to struggle of two times meal they don't have any savings and provisions to deal with situations.. The standard of living of people is calculated by the wealth, status, comfort, goods and the pandemic has changed this phenomenon of middle and low class people from middle to low and low to under poverty level due to lockdown The people of India are poor and illiteracy is more so there are no sources of incomes and in family there is hardly single person working and due to this situation becomes critical if job is loosed.

Keywords:- *Covid-19, corona virus disease, pandemic, low class, middle class, poverty, crises, lockdown, shutdown, poverty level.*

Introduction:-

The covid-19 ,corona virus, pandemic has covered all over the world by its effect of crises, poverty, unemployment, death rate, pulled standard of living , increased stress level, immunity slowdowns etc. The impact of all this has covered almost of standards of people from minor to major levels. The standard of living in middle and low level depends on the income they generate from their occupations but certain lockdowns limits standard of living due to recession in income, no income or cutoff salaries by different organizations. People in India where there are different sectors which provides different jobs and people are dependent on but, lockdowns resulted into shutdown and people are now jobless and cannot generate source of income. Most of the people are dependent on jobs from private sectors and they are unable to run because of lockdown by government which government has amended because of the disease spreading

widely into the countries and lockdowns is the only solution to limit the pandemic but in case of people under poverty they will get effected by lockdowns as no income no food, no nutrition invitation to other diseases.

Businesses are rapidly adjusting because of the covid-19 pandemic which is the first humanitarian crises. Aerospace and defense industries have declined as Airlines has cutting the capacity of 40-100 percent of deferrals and cancellations of orders and the ability to maintain schedules and production rates has hampered a lot. Rail and transit business has already coping with infrastructures and assets and now because of pandemic the revenue cannot be generated. The banking sectors has fallen into crises as there are no more money deposits, daily money deposits of small/large business venders, less loan cases due to crises in business due to lockdowns, people cannot pay premiums etc.

The widespread closing of stores and businesses in India due to corona virus is first-time, most of this closers may be from temporary to permanent because of inability of businessman to pay ongoing expenses and survive the shutdowns. The dropping of employees to work has lead to 30% and by which business growth has dropped and revenue making has dropped as a result.

Research Methodology:-

The present study is based on qualitative research method due to its improved approach on the experience as well as context of utilizing Information and Communication Technology. The study relay on primary data was observation which can absorbed during this pandemic situation and the Secondary data was selected or collected from reports, publications, journals &such other authentic sources like reference books & researches and online search. The research is description of the state of affairs as it exists at present. The Researcher has adopted an analytical, descriptive and comparative methodology for this report; reliance has been placed on books, journals, newspapers and online databases and on the views of writers in the discipline of competition law.

Objectives:-

1. To study the impact of covid-19 on poor people.
2. To analyze the fall of people of middle class to low class due to pandemic.
3. To study the impact of covid-19 on different industries.
4. To analyze the impact of covid-19 on small business.

Hypothesis:-

H_1: An enormous change in poverty level in rural & urban Area due to covid-19.

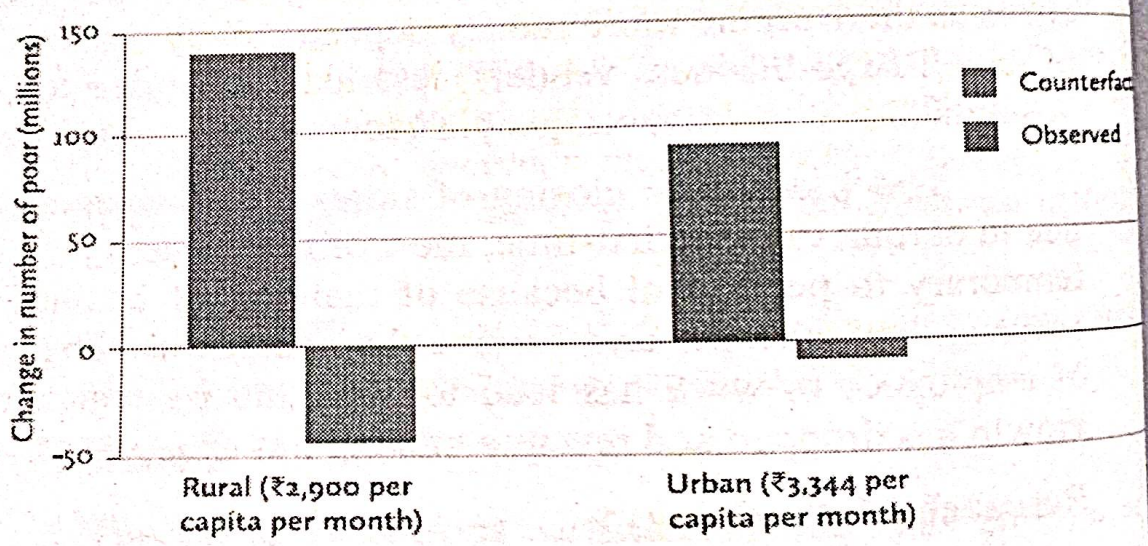


Fig 1: 230 million additional individuals fall below the national minimum wage poverty line.

As we can see from the above screenshot that due to covid-19, 230 million additional individuals fall below the national minimum wage poverty line. The above bar shows the level of poverty in rural and urban area between 2019-2020.There are number of people who lie below minimum wage increased by 230 million during covid-19 in rural area is 15% whereas 20% in urban areas. If no pandemic would occur there would be increased in points of 5% in rural and 1.5% in urban area respectively. Hence H_1 is proved.

Conclusion:-

The country like India is a developing country and the economy is characterized as middle income developing market economy and the GDP growth has been increasing annually by 6-7 %. But a sudden entrance of covid-19 a pandemic has changed the scenario not in India but all over the world causing Unemployment, Shutdowns, lockdowns, growth in mortality rates, Poverty level, Hunger, Recessions, job loss, Breakdown of medical services etc.

People have become helpless, jobless and facing poverty and unemployment. Covid-19 has not only pulled middle class to lower class but businesses are facing big problems due to lockdowns as no money to run business and no production and manufacturing. Market has downed due to pandemic and people are sitting at home with no work and no income. All sectors are culprits of this lockdowns such as manufacturing industries, Banking industries, Educational institutions, Aerospace and defense industries, Small scale, middle scale & low scale businesses, retail, software, IT, communications etc. People are prone to various crises and poverty level has increased resulting in Hunger, Jobless, Unemployment, and Mortality.

References

1. *WHO, "Coronavirus Diseases 2019 (COVID-19)- Situation Report-22," WHO11- February 2020.*
2. *[4] WHO, "Coronavirus diseases 2019 (COVID-19)- Situation Report-52," Report12-March 2020.*
3. *"Information About Maharashtra, Industries, Economy, Exports of Maharashtra".* ibef.org. *Retrieved 12 April2014*
4. *"World Economic and Financial Surveys World Economic Outlook Database—WEO Groups and Aggregates Information April 2020".* IMF. org. *International Monetary Fund. Retrieved 2 September2020*

About the editor:

Dr. Arup Kumar Sarkar is presently an Assistant Professor in the Department of Commerce, Uluberia College affiliated to the University of Calcutta, West Bengal, India. He has over 06 years of post graduate and over 02 years of undergraduate teaching and research experience. Dr. Sarkar passed M.Com in Accounting and Finance with gold medal for securing first position in first class. He has also done M.B.A in Marketing Management with first class and cracked NET in Commerce organised by UGC. Dr. Sarkar is also the 1st rank holder in order of merit in West Bengal College Service Commission's interview for the selection of Assistant Professor in Commerce for Govt. Aided Colleges in West Bengal in 2018. He has authored one book published by Emerald Publishing Limited, UK, and has edited four books. Dr. Sarkar has published more than twenty research articles in reputed national and international journals including UGC CARE listed and UGC approved journals, and in edited book published by reputed national and international level publishers. He has also presented research papers in national and international conferences in more than thirty occasions. He is the lifetime member of Indian Accounting Association and an EC member of IAA South Bengal Branch, and also an active review member of a number of UGC approved international books and journals such as Springer, Australia.

₹ 350/-

eBook

ISBN 978-93-90937-23-3

red'shine Publication

RED'SHINE Publication Pvt. Ltd
88, Navamuvada,
Lunawada, Gujarat-389230
Website: www.redshine.co.in
Email: info@redshine.in
Helpline: 0-76988 26988

Available on
amazonkindle goodreads Google Books Google Play

EMERGING ISSUES IN COMMERCE, ECONOMICS, INFORMATION TECHNOLOGY AND MANAGEMENT (VOL – I)
Edited by: DR. ARUP KUMAR SARKAR

EMERGING ISSUES IN COMMERCE, ECONOMICS, INFORMATION TECHNOLOGY AND MANAGEMENT

VOL – I

EDITED BY
DR. ARUP KUMAR SARKAR

13 AN ANALYTICAL STUDY OF DIGITAL MARKETING THROUGH SOCIAL MEDIA

Dr. Shraddha M Wani

ABSTRACT:

The research focuses on digital marketing through social media by which business grows and marketing is done using various social media platforms. The paper offers you some current and future trends in marketing. Digital marketing encompasses all the channels and media for the promotion of business online and social media is a small part of digital industry. Digital marketing offers you product or services through websites and websites can gets traffic through social medias. More the traffic generated more branding and ultimately more selling results in generating more revenues. Social media optimization(SMO) is the organic type of marketing where without paying money the traffic can be created using different channels like Face book, Twitter, LinkedIn ,Instagram, YouTube, Quora…etc.

Businessman's and especially small entrepreneur uses social media for the marketing purpose. With less or no money indulging. The small entrepreneurs can generate revenues with the help of social medias. Customers in this generations technological oriented do shopping through internet using different websites and applications. Customers gets brand familiar through various social media channels which is the plus point to small business. Social media marketing brings the traffic to different websites by which more customers gets attracted and approached to varied products. Social Media Marketing (SMM) encompasses of share/ publish/network by which everyone can share, can publish anything everywhere and can increase network. Small entrepreneurs can easily make

advertisements on social media and increase sales for unpopular products. Social commerce is the another name for social media shopping for selling the products online through different platforms.

Keywords:- *Social media, Digital marketing, small entrepreneurs, social media marketing ,online marketing.*

Traditionally marketing was done through Radio, T.V., Newspaper, telephone, Banner, Broadcast, Door to Door, Sponsorship etc which was not cost effective, not so good for Brand building and was difficult to Measure. In modern marketing the concept digital marketing where promotion of product and services are done through digital media or electronic medium like SEO (search effective through social media, efficient and fast for brand building is easy to Measure with the help of analytics tools. Social media is an immediate way to connect with your potential customers and who can invest in your brand generating revenues.. It is the way to new customers to reach the way that are not familiar with your brand. It is the easy way to popularize, advertise your products and brands and provide information to your customers. Social media helps to small entrepreneurs to enhance their business in local area where they can sale their products and can gain profits. It helps small businesses in large way by engaging customers in personalized manner. E-commerce is the medium which is trustable to consumers now. Social media helps business to get engaged with the prospective customers and which is economic in nature. Social media like instagram is image-friendly concept where we can add pictures and videos to attract customers and bring traffic to our websites and promote business through it and 70% of people look instagram for product findings. Face book is the reigning champ of social media sites, where friends connect and share online. Whether you're a large or small corporation it is a powerful marketing tool for entrepreneurs. LinkedIn is the media where we can invite our profile

connections and make marketing and many more other social media contributes like face book instagram…etc.

India is the 4th largest largest audience of searches after China, Japan and US from which 137mn are from urban and 68mn from rural where 72mn social media users uses through mobile. Social media is the world where changes occurs most as if in the other online space.

Digital marketing helps small businesses to learn the online habits of customers so they can target Potential customers which allow to create personalized and very targeted market campaigns for customers who wants to buy the products. And it is being researched that customers if see the brand 7 times that brand automatically attract the customers and they are willing to buy the product. Average consumers look online what they want.

Creating a website for business, learning search engine optimization is a tactic that can help you to get ahead of our competitors just being first at position of Google search by certain keywords.

Social media makes easy communication between brands and customers. Huge content can be shared by social media marketing. There can be transparent branding as customers should get all the information about product by which a true personality of brand can be produced.

Research Methodology:

The study is exploratory in nature and includes quantitative and qualitative analysis. The data and information analyzed in the study is of secondary type. Secondary data which is analyzed to research which is extensively used for this research paper. The data and information collected from various articles published in various journals, published e-books, scholars & researchers. The qualitative and quantitative research reviews the digital marketing and social media practices of current trends.

Objectives:-

1) To provide information about digital marketing through Social media.
2) To provide details of digital marketing through social media which improve search engine traffic.
3) To enhance the understanding how Social media helps small entrepreneurs to create brand recognition and make easy business.
4) To enhance knowledge how Social media marketing develops trust with customers by brand transparency, and is cost efficient, helps in advertising and earning revenues.
5) To enhance knowledge how social media marketing keep eye on competitors, and recognize customers need.

Hypothesis :-

1) H_1 above 50% of online shoppers made a purchase through a social media channel.
2) H_2 Social media is important to small entrepreneurs to make business.

H_1 above 50% of online shoppers made a purchase through a social media channel.

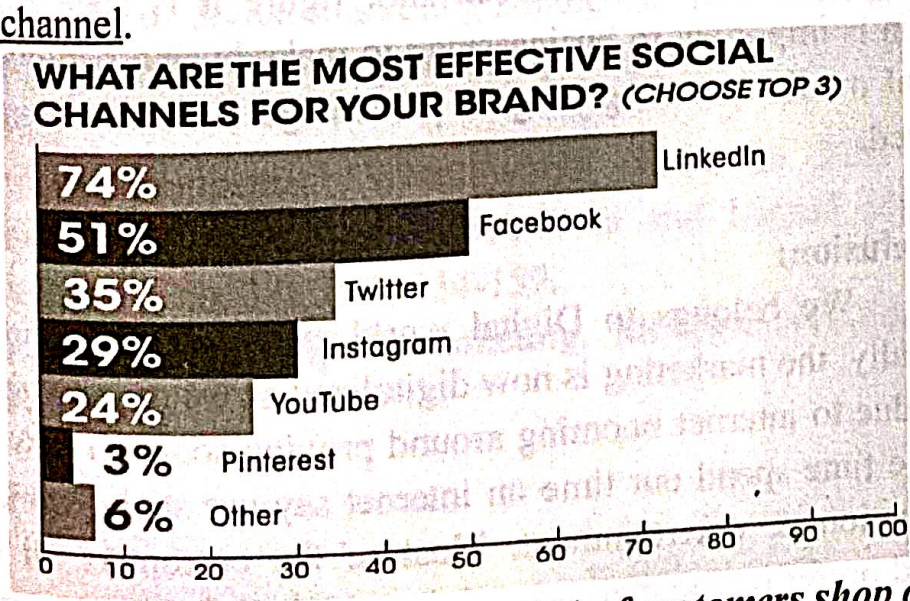


Fig. 1.1 screenshot showing above 50% of customers shop online using social media.

From the above figure it is clear how social media helps businessman to make business through online social media channels such as linkedln, face book, twitter, youtube, printerest and other. Hence H_1 is proved.

H_2 Social media is important to small entrepreneurs to make business.

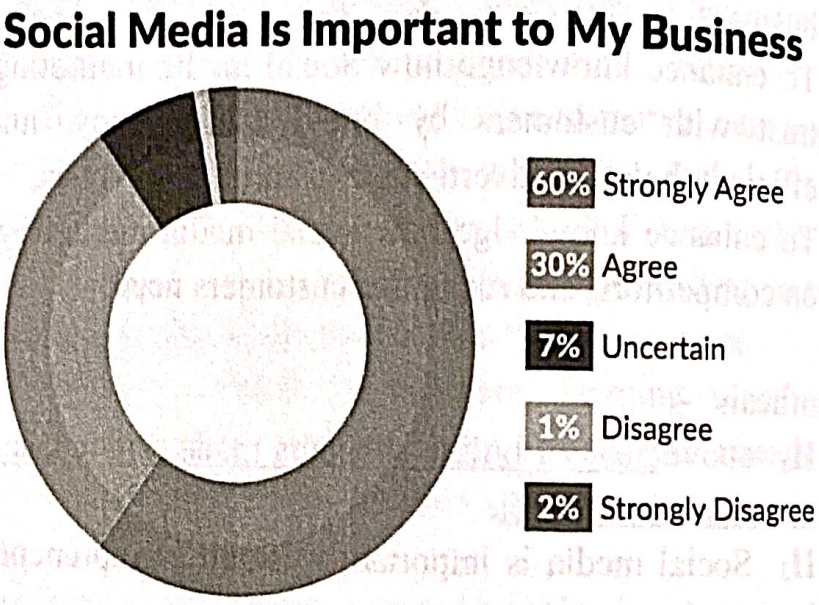


Fig. 1.2 screenshot showing importance of social media.

From the above screen shot figure it is clear how social media is important to businessman to make business through online social media as strongly agree percentage is more . Hence H_2 is proved.

Conclusion:

We belongs to Digital world every operation now works digitally, the marketing is now digitalized as we are now tech-savvy and due to internet booming around proving soon 5G now we most of the time spend our time on internet say our study, work, growth ,education & entertainment. Most of the customers all over the world prefer online marketing & by which digital marketing is done by the vendors. Social media marketing has become a good solution

for entrepreneurs to do marketing to target buyers which is cost effective and easy to attract customers online.

The social sites bring traffic to the websites and applications and helps the unbranded products to get popularized and also maintains the choices of customers by quick responses online. New ones of social media marketing channels are entering into the market to offer e-commerce capability.

References:

1) Kotler, P., Keller, L (2007), Marketing management, Grada Publishing, ISBN 80-247-1359-5.
2) Hanna, Rohm, Crittenden (2011), "We're all connected: The power of the social media ecosystem", Business Horizons, Volume 54, Issue 3, Pages 265–273.
3) Yannopoulos. P (2011), "Impact of the Internet on Marketing Strategy Formulation", International Journal of Business and Social Science, Vol. 2 No. 18.
4) Ellis-Chadwick, Fiona, and Neil F. Doherty. "Web advertising: The role of e-mail marketing." Journal of Business Research 65, no. 6 (2012): 843-848.
5) Kamal, Yusuf. "Study of trend in digital marketing and evolution of digital marketing strategies." International Journal of Engineering Science and Computing 6, no. 5 (2016): 5300-530
6) Brosan, Francesca. "What works where in B2B digital marketing?" Journal of Direct, Data and Digital Marketing Practice 14, no. 2 (2012): 154-159.
7) Gupta, Seema. Digital Marketing. McGraw-Hill Education, 2015.