

### Chapter 3: Management and Business Environment

	<p>sector, reduced to 4 and the remaining industries were opened for private sector.</p> <p>(iii) <u>Disinvestment</u>: Disinvestment refers to selling a part or the whole of shares of public sector undertakings. Disinvestment was carried out in case of many public sector industrial enterprises.</p> <p>(iv) <u>Liberalisation of Foreign Capital</u>: The share of foreign equity participation was increased and in many activities 100 per cent FDI was permitted.</p> <p>(v) <u>Liberal policy for technical collaboration</u>: Automatic permission was now granted for technology agreements with foreign companies.</p> <p>(vi) <u>Setting up of Foreign Investment Promotion Board (FIPB)</u>: FIPB was set up to promote and channelise foreign investment in India.</p> <p>(vii) <u>De-reservation under small-scale industries</u>: Many goods produced by small-scale industries have now been dereserved.</p> <p><i>The New Industrial Policy laid stress on replacing the License, Quota and Permit by: Liberalisation; Privatisation; Globalisation</i></p>
Q9.	<p><b>What do you mean by liberalization? How has Indian industry been liberalised?</b></p> <p><i>Ans. Liberalisation refers to removal of entry and growth restrictions on the private sector enterprise.</i></p> <p>The Indian industry has been liberalised in the following manner:</p> <ol style="list-style-type: none"> <li>Abolition of licensing requirement in most of the industries.</li> <li>No restriction on expansion or contraction of business activities.</li> <li>Removal of restrictions on the movement of goods and services.</li> <li>Freedom in fixing the prices of goods services.</li> <li>Reduction in tax rates and lifting of unnecessary controls over the economy</li> <li>Simplifying procedures for imports and exports</li> <li>Liberal process to attract foreign capital and technology to India.</li> </ol>
Q10.	<p><b>What is meant by privatisation? What was the basic aim of privatisation? Discuss the measures initiated by the Government.</b></p> <p><i>Ans. Privatisation means transfer of ownership, management and control of public sector enterprises to the entrepreneurs in the private sector.</i></p> <ul style="list-style-type: none"> <li>The basic aim of privatisation was to restrict the role of public sector and enhance the role of private sector in the economic activities of the country.</li> <li>The measures initiated by the Government are:             <ol style="list-style-type: none"> <li><u>Disinvestment</u>: Disinvestment refers to selling a part or the whole of shares of public sector undertakings. It leads to dilution of stake of the Government in the public sector enterprise. If private sector acquires more than 51 percent shares, then it would result in transfer of ownership and management of the enterprise to the private sector.</li> <li><u>Revival of sick public sector enterprises</u>: The Board of Industrial and Financial Reconstruction (BIFR) was set up to revive sick public sector enterprises suffering loss.</li> </ol> </li> </ul>
Q11.	<p><b>What is meant by Globalisation? Discuss the main measures taken in the direction of globalisation.</b></p> <p><i>Ans. Globalisation means integrating the national economy with the world economy through removal of barriers on international trade and capital movements.</i></p> <p>In India, main measures taken in the direction of Globalisation of the economy are:</p> <ol style="list-style-type: none"> <li>Import liberalisation through reduction in import tariffs and removal of quantitative restrictions on imports</li> <li>Export promotion through wide range of incentives</li> <li>Simplification and standardisation of import and export procedures and documentation</li> <li>Liberalisation of norms for entry of MNC's and foreign direct investment</li> <li>Liberalisation of foreign exchange management regime.</li> <li>Greater freedom to foreign institutional investors (FIIs) to participate in money and capital markets of country.</li> <li>Strengthening of trade infrastructure including ports.</li> </ol>
Q12.	<p><b>How the economic changes made by the Government of India influence the working of Indian industry?</b></p> <p><i>Ans. The impact of changes in government policy may be analysed as follows:</i></p> <ol style="list-style-type: none"> <li><u>Increasing Competition</u>: As a result of economic reforms, the protection to industries has been replaced by all round competition. The policy of delicensing and liberalised entry of foreign firms has considerably increased the competition for Indian firms from domestic firms as well as multinationals. The competition has increased especially in service industries, like telecommunications, airlines, banking, insurance, etc., which were earlier reserved for the public sector. For example, banking reforms increased the competition for SBI from Indian firms like ICICI and multinationals like HSBC.</li> <li><u>More demanding customers</u>: Increased competition in the market increased the choice for the customers in purchasing better quality of goods and services. The economic reforms encouraged the theory of consumerism. Customers today have become more demanding because they are well-informed and manufacturers take pains in satisfying their expectations. This has created buyer's market in the country.</li> </ol>