

# XI<sup>th</sup>

## Business Administration

### CHAPTER: 1

#### Management of Business Services.

##### Services: the conceptual exposition

The term services cannot be only personal services like auto-repairing, hair-cutting, dentist' services, legal work, consultancy, and so on. Services contents are wider. Services have been defined in number of ways but no single definition has been accepted universally.

**Meaning of services:** “Services identifiable, intangible, activities that are the main object of transaction designed to provide want satisfaction of customers.”

Definition by Gronroos : services are described as “objects of transaction offered by firms and institutions that generally offer services or that considers they service organisation”

**Meaning:** “services refer to social efforts which include government to fight five giant evils, want, disease, ignorance, dishonesty, and illness in the society.

**Another meaning:** “services can also be defined an action(s) of organisation(s) that maintains and improves the well being and functioning of people”

##### Difference between Goods and services

<b>Points</b>	<b>Goods</b>	<b>Service</b>
1) Tangibility	Goods are tangible having objects and can be created	Services are intangible and of non physical nature
2) Transferability	Goods can be carried home and can be stored. Goods have existence over a long period of time.	Services are not taken home we can only carry their effects. Services are perishable in nature. If not used it is lost forever.
3) Existence	Goods can be standardised. Quality of goods can be judged.	Services cannot be standardised. It is difficult to

4) Differentiability		judge the quality of service.
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## **FEATURES OF SERVICES**

Service is a different activity which has certain features which differentiate from products. They are:

**Intangibility:** Services which have no tangible properties cannot be tested or examined before the purchase. Purchases have to believe quality like reliability, personal care, etc advertised by the service provider. Quality of service can be experienced only when it is used. Thus services are mainly intangible. The buyer has no opportunity to see, touch, or smell the services before he uses. For example, an airline sells the seat from a point to B point.

**Perishability:** A service has a high degree of perishability. The time element has important position. If we don't use it today it is lost forever. If a labour stops work it is a complete waste. A building unoccupied, a person unemployed, credit unutilised, empty rooms in a five star hotel is economic waste. We cannot store or reutilised them.

**Inseparability:** The services cannot be separable. The services are created and supplied simultaneously. Like dancers, musicians, dentists, and other professionals create and offer services at the same time. Goods are produced, sold, and then consumed. Whereas services are sold, then produced and consumed.

**Variability:** The different characters of services make it difficult to establish standards. The quality of service cannot be standardised. Price paid for a service may be too high or too low. This is found in case of entertainment and sports. The same type of service cannot be sold to all consumers even if they pay the same price.

**Ownership:** Another feature of service is that ownership cannot be transferred as in case of products. The service user (customer) has only the right to a buying process such as occupying a room or hiring a taxi, or hearing a teacher. The services cannot be purchased and stored. Services are provided to the consumers. Provider sells the service and consumer consumes it. Consumer cannot own the service.

**Quality of measurement:** The quality of service requires another tool for measurement. We can measure it in terms of service level. It is very difficult to rate the total purchase. We can rate the food served in a hotel but the way the bearer serves it or overall environment or the behavior of the other staff cannot be ignored while rating the total process.

**Nature of demand:** The services are fluctuating in nature. Particularly during the peak season, we find abnormal increase in demand. The tourists go to the hill stations during the summer. The public transport facilities are used more during office hours. All these facts make it very clear that flexibility is important feature of services.

## **REASONS FOR GROWTH OF SERVICES**

The reasons may be economic, political, demographic, and social.

- 1) **ECONOMIC REASON:** Economic reason includes fast growth of the economic market due to globalisation of business by many countries of the world. Globalizing the business activity has created greater demand for services such as communication, transport, and information services. Recent explosion (sudden development) in information technology has also contributed for the growth of these services.
- 2) **POLITICAL REASONS:** The governments of different countries are expanding their activities. The expansion activities are giving scope for the creation of huge infrastructure and in turn creating a demand for legal and transport services. International transactions have given scope for the development of “legal services”.
- 3) **DEMOGRAPHIC SERVICES:** Demographic changes are also providing scope for expansion of some services. Raise in life expectancy has expanded the retired population. This growing number of retired people has given scope for

raising health services, nursing. Tourism and hospitality services. A new service area “Old age Homes” is also expanding.

- 4) **SOCIAL REASONS**: Social changes have taken place in every society and are continued at a faster rate. Today female population is increasing in the service sector. Many service areas have emerged to help these working women. Services like “fast food “service, “child care “service etc. are the services areas growing fast to help the working women force. As a part of social change international tourism is also increasing, giving scope to financial services, developing hospitality industry by creating international chain of hotels.

## **CLASSIFICATION OF SERVICES**

There are of number of ways classifying service activity. The approach to service classification has been to identify criteria by which services can be grouped together and to list the service type or organisations which are felt to fit the groupings.

### **Following are the most commonly used methods of classification.**

#### **1) Classification based on Ultimate Users.**

Services can be classified into the following categories

- a) **Consumer**: services which are directly provided to consumers to leisure, hair dressing, package holidays, dry cleaning, laundry.
- b) **Business to business**: Advertising agencies, printing, accountancy, consultancy, photographic processing. Which provide service to business operations.
- c) **Industrial**: Plant maintenance and repairs, installation, project management.

#### **2) Classification based on Level of Tangibility**

The degree of tangibility of services can be used to classify services.

- a) **Highly tangible:** Ex. Car rentals, vending machines, and telecommunication.
- b) **Services linked to tangible goods:** Ex. Domestic appliance repairs, automobile service to enhance consumer appeal.
- c) **Highly intangible:** They offer consists primarily of services like consultancy, legal services, psychotherapy, baby sitting, massaging etc.
- d) **Major services linked with minor tangible goods services:** Ex. Airline passengers buying transportation service without anything tangible to show for their expenditure.

### 3) **Classification based on service options**

Services can be labour –intensive (people-based) and equipment- based services. This can also be represented by degree of contact.

- a) **People- based services:** High contact with people. For ex. Education, dental care, restaurants, medical services, Tourism, Insurance.
- b) **Equipment-based- low contact:** Low contact with people for example cinema, vending machine, automatic teller machine.

### 4) **Classification based on specialisation**

The expertise and skill of the service provides can be divided into the following categories.

- a) **Professional services:** for Ex. Medical services, legal services, accountancy, tutoring.
- b) **Non-professional services:** for Ex. Baby sitting, care taking, casual labour.

## 5) Classification based on profit orientation

The overall business orientation is a recognised means of classification

- a) **Non-profit orientation:** Educational institutions, like government schools, universities, cultural organisations like orchestras, zoos, museums, theater groups, religious institutions like temples, churches, mosques, welfare groups such as Red Cross, old age homes, research foundations etc.
- b) **Commercial/profit Orientation:** Banks, airlines, tour operators, hotel and catering services. In this type of firms aim is to earn profit.

## 6) Classification based on External- Internal services to Manufacturers.

- a) **External services:** Many services are concerned with the distribution, installation, and upkeep of physical objects; they may include car repairs, computer installations etc.
- b) **Internal services:** They cover a wide range of activities including recruitment, publications, legal services, office cleaning, internal transport etc. If the same services are provided by outside agencies it becomes external services.

## 7) Classification based on customer-Employee presence

Service organisations can be classified on the basis of presence of customer employee during the service. They are:

- a) **Self service:** In this type of service we find the presence of customers only. For example ATM, self service restaurants, etc.
- b) **Interpersonal service:** In this type of organisation there will be presence of both customer and employee. For example, educational institutions, dry cleaners , hair cutting saloons etc.

- c) **Remote services:** In this type of organisation there will be presence of only employee. For example insurance company.

## **Chapter II**

### **Communication**

#### **Definition:**

The word communication is derived from Latin word 'Communis' which means common. Communication involves imparting a common idea and covers all types of behavior resulting there from.

“Communication in its simplest form is conveying of information from one person to another. In other words communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening, and understanding.”

Communication may be defined as inter-change of thought or information to bring about mutual understanding and confidence. It is the exchange of facts, ideas, and viewpoints which bring about commonness of interest, purpose and efforts.

Communication is the process of passing information and understanding from one person to another.... It is the process of imparting ideas and making once; understood by others.

#### **The role of communication:**

- 1) **Better planning:** communication improves the quality of planning. The management can receive suggestions and comments from the subordinates and also gather information from the external sources. This will ensure formulation of effective plans throughout the organization.
- 2) **Effective operations:** communication helps the management in explaining the objectives, plans, and policies of the enterprise to the employees. This enables the workers to understand their job responsibilities clearly and relate to the company's objectives and plans. As a result there will be effective implementation of company's plans.
- 3) **Decision making:** A manager can take better decision by collecting the necessary information from various sources, developing various alternatives and their systematic evaluation. The quality of decision depends upon the quality of information on which it is based.
- 4) **Controlling:** Communication helps in control by transmitting information about the performance of the subordinate to the manager. If the information received by the manager reveals that the performance of the subordinates is not up to the mark, he can take corrective actions immediately.
- 5) **Motivation:** Communication can help in motivating the subordinates and getting their co operation. A manager can motivate his subordinates by using appropriate words to commend their performance. Clear –cut instructions by a manager also help a great deal in motivating the subordinates.
- 6) **Better human relations:** Communication develops proper understanding between the superiors and the subordinates. It leads to develop better human relations in the organization.
- 7) **Worker's participation:** communication is an effective device for ensuring participation by the workers in the decision making process. Management can consult the workers and receive their suggestions before taking decisions.
- 8) **Public relations:** Effective communication with the external groups such as shareholders, customers, suppliers, trade unions, press and government is very important for a modern business. It can build a good public image of the business.

### **Process of communication**

The major elements of communication process are as follows:

- i) **Sender**: The person who initiates the communication process is known as sender, source or communicator. The sender has some information which he wants to communicate to some other person to achieve some purpose. But initiating the message, the sender attempts to achieve understanding and a change in the behaviour of the receiver.
- ii) **Message**: The message is the substance of communication process. It may be in any form that could be experienced and understood by one or more of the senses of the receiver. Speech may be heard, written words may be read, and gestures may be seen or felt. Message may take any of the three forms viz, oral, written or gestural.
- iii) **Communication symbol or encoding**: The sender of the information organizes his ideas into a series of symbols (words, signs etc) which he feels will communicate to the intended receiver. This is known as encoding of the message.
- iv) **Communication channel**: After encoding the message the sender chooses the mode of transmission. The channel is the link that connects the sender and the receiver. Air, sound and sight are the important communication channels. The receiver must be considered before selecting a channel. The channels which are officially recognised by the organisation are called as official channels.
- v) **Receiver**: The person who receives the message is called the receiver. It is the receiver who receives and tries to understand the message. If the message does not reach the receiver, the communication cannot be said to have taken place.
- vi) **Decoding**: It is the process by which the receiver draws meaning from the symbols encoded by the sender. It is affected by the receiver's past experience, education, perception, expectation and mutuality of meaning with the sender.
- vii) **Feedback**: After receiving the message, the receiver will take necessary action and send feedback information to the communicator. Feedback is a process in which reaction to sender's message is expressed.

### **Purpose of communication**

The basic purpose of communication is to give and receive information which is of interest both to the communicator and the receiver of information. A good

communicator always attempts to transmit his ideas and information to create favourable impression in the mind of the receiver. Effective communication involves more than a receipt of message by the

Receiver, it creates understanding, acceptance, and action.

**The following are the important purpose of communication.**

- 1) To keep employees informed of company's progress.
- 2) To provide employees with orders and instructions in connection with their duties.
- 3) To ask information from the employees this may aid management
- 4) To make each employee interested in his respective job and in the work of company as a whole.
- 5) To express management interest in its personnel.
- 6) To reduce or prevent labour rate of leaving.
- 7) To encourage employees with the will to work and the benefits derived from their association with the company.
- 8) To instill each employee with personal pride in being a member of a company.

**Channels of communication**

A channel of communication is a path through which information flows throughout the organisation.

The channels of communication include both formal and informal communication.

**Formal communication:**

The ways of communication which are officially determined by the management are called formal channels of communication. They are associated with the status or position of the communication and the receiver.

**Informal communication:**

Informal communication or grapevine arises from social interactions of people. It is the expression of their natural motivation to communicate. Its speed is very fast compared to formal communication.

**Merits of informal communication:**

- 1) It helps for achieving better human relations in the organisation.
- 2) It links even those people who do not fall in the official chain of command.
- 3) Its speed is very fast as it is free from all barriers.
- 4) It serves to fill the possible gap in the formal communication.
- 5) It provides the workers an outlet to freely express their fears, views and thoughts.

**Demerits of informal communication:**

1. It is not authentic. The message may get misinterpreted by different persons.
2. Informal communication is oral in nature and it is very difficult to find responsibility of the communicator for the message transmitted.
3. It may lead to generation of rumours in the organisation.
4. Informal channels may not be always active. So informal communication is not dependable.

**DIFFERENCE BETWEEN FORMAL AND INFORMAL  
COMMUNICATION**

<b><u>Formal communication</u></b>	<b><u>Informal communication</u></b>
1) It is based on formal organizational	It is not based on formal organisationl

relationship.	relationships. It is free from formalities.
2) The channels of communication are pre-planned.	The channels of communication are not pre-planned.
3) It is rigid as deviations are not allowed.	It is flexible.
4) It is slow as it has to follow the path laid down by the management.	It is very fast as it is not supposed to follow a particular path.
5) Chances of misinterpretation of information are very few.	Chances of misinterpretation of information are very high.
6) In case of formal communication, status or position of the parties is very important.	In case of informal communication status of parties has no relevance. Informal messages may not be authentic.
7) Formal communication is authentic	

### **Methods of expressions**

Oral communication: communication with the help of spoken words is known as oral communication. Oral communication may take place: (a) by face to face conversation (b) through mechanical devices.

- a) **By face to face conversation** : Face to face conversation is the most natural way of transmitting messages. It is the best means of developing cooperation and finding solutions to problems. Face to face communication carries the message better than any other media. It avoids misunderstanding between the persons talking face to face.
- b) **Through mechanical devices** : Mechanical devices used in oral communication are telephones, signals, intercom systems, electric paging system and dictating machines.

### **Advantages of oral communication:**

- 1) It saves time as it provides immediate response and feedback.
- 2) It develops cooperative and friendly spirit.
- 3) It develops personal contacts.
- 4) It develops a sense of belongingness.

5) It is suitable for confidential matters.

### **Disadvantages of oral communication**

- 1) It may be time consuming because for having direct talks, the individuals concerned have to move back and forth to and fro to their work places.
- 2) It may not be specific and so may be misunderstood.
- 3) It may also create legal difficulties as there is no record.
- 4) It may be less accurate, being informal, may carry less weight.

### **Written communication**

The communication in the form of letters, circulars, bulletins, manuals handbooks, notes orders instructions etc is called written communication. The objectives of a written communication may be:

- i) To give information.
- ii) To receive information
- iii) To record recommendations and decisions of a meeting.
- iv) To give orders and instructions.

### **Advantages of written communication:**

- 1) Written communication serves as permanent reference for future.
- 2) It is formal and carries more weight.
- 3) It is not possible to change the contents of written communication by the receiver.
- 4) Written messages are more clear and specific

- 5) Written records can be used as evidence in legal proceedings.
- 6) Response to written communication is generally well thought –out as receiver gets time to understand the message.
- 7) Written communication does not require the personal presence of individual as in case of face to face communication.
- 8) It provides written record of all transactions between the parties.
  - 9) It is an ideal means of conveying plans and policies etc.
- 9) It is more convenient to send unpleasant communication through correspondence than to deliver it under oral communication.

### **Disadvantages of written communication**

- 1) Written communication is slow as compared to oral communication.
- 2) It may be a source of dispute as once written message is sent it is difficult to withdraw it.
- 3) Written messages may give rise to queries for clarification which lead to loss of time.
- 4) Written communication is generally official in nature and may be blocked due to administrative procedures in the organization.
- 5) It may be difficult to keep written communication up to date.

### **Guidelines/Principles of communication:**

In order to achieve effective communication in the organisation the following guidelines or principles must be followed.

- 1) **Principle of clarity:** The beginning of all the communication is a message. The message must be clear as possible. No ambiguity should creep in to it. The message can be conveyed properly only if it is clearly formulated in the mind of the communicator.
- 2) **Principle of objective:** The communicator must know clearly the purpose of communication before actually transmitting the message. The objective may be obtain information, give information, initiate action, change on the person's

attitude, and so on. If the purpose of communication is clear it will help in the choice of mode of communication.

- 3) Principle of understanding: understanding is the main aim of any communication. The communication must create proper understanding in the mind of the receiver.
- 4) Principle of consistency: The message to be communicated should be consistent with the plans, policies, programme and goals of the enterprise. This will increase the creditability of the message and promote better understanding. The message should not be conflicting with the previous communication. It should not create confusion in the organisation.
- 5) Principle of completeness: the message to be communicated should be adequate and complete; otherwise it would be misunderstood by the receiver. Inadequate communication delays action, spoil relations, and affects the efficiencies of the parties to communication.
- 6) Principle of feedback: this principle calls for making communication a two-ways process and providing opportunity for suggestions and criticism. Since the receiver is to carry out the instructions, his reactions must be known to the sender of the message.
- 7) Principle of time: information must be communicated at the right time. The communicator must consider the timing of the communication so that the desired response is created in the minds of the receivers.

### **Communication via E-mail (Electronic Mail)**

Communication through the Internet is the main application of the Internet. With these the messages are communicated electronically, they are known as Electronic mail or E-mail. E-mail can be defined as the process of exchanging messages electronically, via a communication network, using the computer. E-mails allow communication with each other in less time and at a low cost as compared to traditional phone or mail.

Apart from textual message, e-mails can also send other data formats such as pictures, sound. E-mails can be sent anywhere in the world using computer and a modem. It provides delivery of information and the ability to send file attachment by using the Internet. In order to use e-mail, one must have an access to the Internet and an e-mail account.

An e-mail account is a service that allows the user to send and receive e-mails through the Internet. Usually, e-mail accounts are provided as part of Internet service Provider's (ISP'S) monthly packages. One can also obtain free e-mail accounts such as Yahoo and Hotmail on the web. An e-mail account provides a unique e-mail address and a mail box where the user can save all his/her mails.

### **Your E-Mail Account**

E-mail is the most popular Internet service that provides instant delivery of information and the ability to send file attachments by using the Internet. In order to use the e-mail, one must have an access to Internet and an e-mail account. An e-mail account is a service that allows the users to send and receive e-mails through the Internet.

E-mail is one of the standard features provided with any Internet account from an Internet service provider. Your service provider (or network administrator at work or school) will assign you an e-mail address.

Internet e-mail address all look alike: [username@domain.com](mailto:username@domain.com) .The first part of the address is the username. It is the name that you choose or that your Internet service provider assigns you. It identifies you. The @symbol in the address is used to separate the username from the domain name. The domain name is the name of your Internet service provider's computer.

Identifying Domains you can identify the type of institution that a particular domain belongs to by a suffix that follows the domain name. For instance, domainname.com would be a registered to a commercial enterprise. Some of the other suffixes that you will run into are .edu (educational), .net (an Internet server), or .mil (military).

### **How E-Mail Works**

Once you have an e-mail address, a connection to the Internet, and an e-mail package, you are ready to start sending e-mail. The only other thing that you have to know is the person's e-mail address to whom you want to send the message.

E-mail clients are very consistent in that there will be a New Message button or menu choice that allows you to create a new e-mail message. Once you open a window for a new message, you will need to provide certain information to make sure that the message gets to its intended destination.

- To: this is where you type the e-mail address of the person you are sending the e-mail to.
- CC: you can copy the message to another e-mail address or addresses.
- SUBJECT: keep the subject short; just type a short heading that will key the recipient to the subject of your message.

### **RECEIVING E- MAIL**

To receive your e-mail, it's just a matter of logging onto your Internet service and then starting your e-mail client. Any message awaiting you will be downloaded to your PC and appear in your Inbox. To read a particular message, double-click it. Once you have read the message, you can delete it, keep it, or reply to it.

### **SENDING E-MAILS**

One of the important functions of an e-mail is to provide a platform to send e-mails. A user can reply to the received e-mail or send e-mail. To send e-mail, follow the steps given below.

- 1) Click on the compose button so that you can create and send e-mail to the desired address. When the compose button is clicked, the compose page will be displayed.

The key elements of the composed window are as follows:

- To: It denotes to whom the mail is to be sent
- Cc: Cc or carbon copy is used to specify the addresses of all recipients who will also receive copies of the same mail. It is used to send the same message to several people(all the addresses are separated with commas)
- Bcc: Bcc or Blind carbon copy is used to send message to several addresses without showing everyone all the addresses.
- Subject: It denotes the subject of the message as specified by the sender.

- Attachment: This link is used to send the files, created with other programs such as Microsoft word or a zip file, along with (or attached to) e-mail.
- 2) Now write the desired contents in the text area, and after composing, click the send button.

### **Sending the Message and Attaching files**

Sending your message with the attached file follows the same procedure for sending any e-mail message. Select send in your e-mail client and the message and attached file will be on their way. If your e-mail client has a status box for the sending of messages, you will notice that e-mail message with an attachment will take longer to send.

Attaching files to e-mail messages is a great way to send files quickly and economically. Documents such as 'resume' can reach a prospective employer in minutes. And the manuscript pages that you just had to have in on time can be sent at the last possible moment.

### **E-mail programs**

An e-mail program enables us to send, receive and manage our messages. One of the most popular free e-mail programs is that provided by rediff.com. This program sends and receives e-mail via the World Wide Web. Members are not charged for the basic e-mail services but if they want advanced features they have to pay a fee. When a user registers to avail of this service, they are given an account which they can access with the password they have chosen. Users are entirely responsible for the maintenance and confidentiality of the password and the account.

### **Features**

An e-mail program usually has the following features:

**Reply to a Message:** This helps to reply to a message. Our reply can include the original message if we want (known as quoting) .Quoting is useful for the receiver as it reminds him/her what message is being replied to.

**Forward a Message:** We can forward a message we have received to someone else. E-mail program enable us to dispatch a copy of the message to other addresses.

**Save a Message:** Important messages can be saved in the sent folder. This helps us in case we want to go through the message again later.

**Delete a Message:** We must delete our old and unwanted messages; otherwise mail will pile up in our Inbox and may prevent new mails coming in if the space allotted to us is full with old messages.

**Print a Message:** A message can be printed in case we require a hard copy.

**Inbox:** This folder gives you details of incoming mail. Entries of unread messages are displayed in bold font. Click on the message entry to open the mail.

**Outbox:** This folder helps you store your messages for dispatch while you are not connected to the Internet. The **send** button will move the message to the **Outbox**, from where the message will be dispatched once connection to the Internet is restored.

**Send/Receive:** The send/receive option checks for new mail on your mail server, and sends out the messages in your Outbox folder. All messages received are placed in the Inbox folder and all messages that have been sent are moved to the Sent Items folder.

**Attachments:** Files may be attached or enclosed with e-mail message. This is a convenient method of sharing both data and programs. You can also send voice messages with your e-mail.

**Address Book:** The *address book* provides a convenient place to store contact information. You can store quite a few e-mail addresses in it. You can also create groups of contacts to make it easy to send mails to a group of people, such as business associates or relatives. Thus, if you wish to send the same e-mail message to each person in the group, you can send one message addressed to the group instead of sending individually to each e-mail address.

## **CHAPTER III**

### **HUMAN RESOURCE MANAGEMENT**

#### **Meaning and definition Of human resource management.**

**Meaning:** It is a branch of management and it is related with human factors in the organisation.

**Definition:** According to Edwin Flip “Human Resource Management is the Planning, organising, directing, and controlling of the procurement ,development, compensation, integration, maintenance and social objectives accomplished”.

#### **Characteristics of organisation development.**

- 1) Organisation development is related with the whole activities of the organisation and it helps to create mutual coordination in all divisions of the organisation.
- 2) The organisation development is connected with the creation of mutual relationship among various systems and sub-system.
- 3) There is a system of using particular persons who bring the changes. This work is entrusted to outside persons in some organisation while in some organisation such persons are active in the organisation structure.

- 4) Organisation development is a concept in which the sub-techniques such as management development training are utilized.
- 5) Organisation development or separate branch of study but it has been prepared with the help of other branches.
- 6) Organisation development is based on some fundamental theories.

### **Objectives of HRM**

- 1) To improve the services rendered by the enterprise to society through building better employee morale which leads to more efficient individual and group performance.
- 2) To establish in mind of those associated with enterprise employee's shareholders creditors customers at large the fact that the enterprise is rendering the best services.
- 3) To create and utilise an able and motivated workers to accomplish the basic organisational goal.
- 4) To recognise and satisfy individual and group needs by providing adequate equitable wages incentives employee benefit social security challenging work prestige recognition security etc.
- 5) To maintain high employee morale and sound human relation by sustaining and improving the various conditions and facilities.
- 6) To enhance job satisfaction and self-actualisation of employee by encouraging and assisting every employee to realise his full potential.
- 7) To provide and conditions of work and creation of favourable atmosphere for maintaining stability of employment.
- 8) To recognise and satisfy individual needs and group goals by offering appropriate monetary and non-monetary incentives.

### **Qualities of H R M**

An HR manager must possess certain qualities and skill to channel the talent potential and capabilities of employees. The department function like the key engine room of an organisation so as organisation .So an HR manager roles and

responsibility assume great significance. A human resource manager is a vital member of an organisation.

### **Personal qualities**

Dedication, Discipline, Honest and sincere Humanitarian values Enthusiastic, commitment, Determination, Self-esteem, Self confidence, Aggressive thinking, and Positive attitude self-awareness.

### **Social qualities**

Adaptability, flexibility, active listening, effective communication, leadership dress etiquette, building rapport.

### **Professional qualities**

Crisis management, negotiation skill, grievance handling, counselling, competency, transparency, confidentiality, skill, emotional maturity, strategic thinking, motivator, authority, values ethics.

## **Most Important Characteristics of Human Resource Management.**

- 1. It is an art and science:** The art and science of HRM is indeed very complex. HRM is both the art of managing people by recourse to creative and innovative approaches. It is a science as well because of the precision and rigorous application of theory that is required.
- 2. It is pervasive :** Development of HRM covers all levels and all categories of people and management and operation staff. No discrimination is made between any levels or categorises. All those who are managers have to perform HRM.
- 3. It is a continuous process:** First it is a process as there are number of functions to be performed in a serious beginning with human resource planning to recruitment to selection to training performance appraisal.

**4. HRM is a service function:** HRM is not a profit centre. It serves all other functional departments. But the basic responsibility always lies with the line managers. HRM is a staff function a facilitator.

**5. HRM must be regulation friendly:** The HRM function has to be discharged in a manner that legal dictates are not violated. Equal opportunity and equal pay for all, inclusion of communities in employment.

**6. Interdisciplinary and fast changing:** It is encompassing welfare, manpower, personal management and keeps close association with employee and industrial relations. It is multi-disciplinary activity utilising knowledge and inputs from psychology sociology economic etc.

**7. Focus on results:** HRM is performance oriented. It has its focus on result rather than on rules. It encourage people to give their 100%. It tries to secure the best from people by winning the whole hearted cooperation. It is a process of bringing people and organisation together so that the goals of each are met.

**8. People-Centred:** HRM is about people at work both as individual and group. It tries to help employees to develop their potential fully. It comprises people related functions like hiring training and development.

**9. Human relation philosophy:** HRM is a philosophy and the basic assumption is that employees are human beings and not a factory of production like land labour or capital.

**10. An integrated concept:** HRM in its scope includes personnel aspect welfare aspect and industrial relations aspect in itself. It is also integrated as it concern with not only acquisition but also development utilisation and maintenance.

### **Scope of Human Resource Management:**

The scope of Human Resource Management refers to all the activities that come under the banner of Human Resource Management. These activities are as follows.



**Human resource planning:** Human resource planning refers to a process by which the company to identify the number of jobs vacant whether the company has excess staff or shortage of staff and to deal with this excess or shortage.

**Job analysis design:** Another important areas of human resource management is job analysis .Job analysis a detailed explanation about each and every job in the company.

**Recruitment and selection:** Based on information collected from job analysis the company prepares advertisements and publishes them in the newspapers. This is recruitment a number of application are received after the advertisement is published interviews are conducted and right employee is selected thus recruitment and selection are yet another important area.

**Orientation and induction:** Once the employees have been selected an induction or orientation programme is conducted. This is another important area of HRM The are

informed about the background of the company explain about the organisational culture and values and work ethics and introduce to the other employees.

**Training and development:** Every employee goes under training program which helps him to put up a better performance on the job. Training program is also conducted for existing staff that have a lot of experience. This is called refresher training. Training and development is one area where the company spends a huge amount.

**Performance appraisal:** Once the employee has put in around 1 year of service performance appraisal is conducted that is the human resource department checks the performance of the employee. Based on these appraisal future promotions incentives increments in salary are decided.

**Compensation planning and remuneration:** There are various rules regarding compensation and other benefits. It is the job of human resource department to look into remuneration and compensation planning.

**Motivation welfare health and safety:** Motivation becomes important to sustain the number of employees in the company. It is the job of the human resource department to look into the different methods of motivation, Apart from this certain health and safety regulation have to be followed for the benefits of the employees.

**Industrial relations:** Another important area of human resource management is maintaining co-ordinal relations with the union members. This will help the organisation to prevent strikes lockouts and ensure smooth working in the company.

## **Objectives of Human Resource Management**

Objectives of Human Resource Management can be classified under four major categories.

2. Societal
3. Organizational
4. Functional
5. Personal

### **1. Societal**

HRM may contribute ethically and socially regarding the needs and challenges emerging in the society. If an organization fails to use its resources for society benefits in ethical ways it may lead to restriction by society. For example, society may limit the

HR decisions through laws in hiring, it may limit laws that address discrimination, laws regarding safety or other areas of concern.

## **2. Organizational**

The main objective of HRM is to achieve organizational goals by bringing organizations effectiveness. HRM is not an end but it is a means to assist the organization in order to attain its objectives

### **Functional**

Functional objective of HRM deals with contributions of each department regarding their need and effectiveness in order to attain organization goal. All the resource or skill set get wasted if HRM is not able to fulfill up with the organizational demand.

### **Personal**

HRM also deals with personal objectives of the individuals so that personal and organizational objectives can be met or order to achieve maximum production and attain competitive advantage. These personal objectives are important in order to maintain, retain and to motivate employees. If this not done employees dissatisfaction and poor performance will result in attrition or low productivity.

## **Chapter No. 4**

# **MANAGEMENT OF HOSPITALITY SERVICES**

Tourism arrives out of a movement of people to, and their stay in various places or destinations. There are two elements in tourism -----the journey to the destination and the stay (including activities) at the destination.

The journey and stay take place outside the usual environment or normal place of residence and work,so that tourism gives rise to activities that are distinct from the resident and working populationof the places through which they travel and stay.

The movement to destination is temporary and short term in character ----- the intention is to return within a few days, weeks or months. Destinations are visited for purposes other than taking up permanent residents or employment in the places visited.

Tourism is the temporary, short-term movement of people to destinations outside the places where they normally live and work and their activities during their stay at this destination including day visits and excursions.

Tourism is concerned with pleasure, holidays, travel and going or arriving somewhere. These are the motivations that make people leave their “normal” place of work and residence for short term temporary visits to “other” places.

Tourism may be defined in terms of particular activities selected by choice and undertaken outside the home environment.

### **Factors responsible for mass tourism:**

1. Sustain prosperity and consequent rise in the level of income of a wide section of society.
2. Monotony of work and life in an industrialised society.
3. Increase in paid leisure time of the working class/employees.
4. The growing number of the self-employed, professional and general.
5. Rise in the average educational standard of population and rise in the expectation of life and improved health care.
6. The reduction in the average family size.
7. Development of an efficient communication network and a mass transport system.
8. A change in the attitude of policy makers towards tourism.
9. The growth of travel agents, tour promoters and co-operative holiday associations of workers.

**Types of tourism:** The different types of tourism are as follows:

1. **Rest and Recuperation:-** Taking a rest from everyday life; relieve the stress of societies that have shifted from manual to sedentary work. Tourism as diversion or compensation to holiday destinations is what may be called holiday or vacation travel which is focused on resorts and beach holidays, both domestic and international.
2. **Escape:-** Tourism as a mass flight from everyday reality to an imaginary world of freedom. This flight takes place within the movements from centres to peripheries or in other words a North-south migration.

3. **Communication:-** Spending quality time with family and friends, make new friends and acquaintances. This is mass tourism, in herds, enjoying the facilities of tourism enclaves.
4. **Culture and Education:-** Such Tourism is based on sight-seeing tours to experience and see other countries of the world though not necessarily in depth.
5. **Freedom:-** Tourism frees you from home and work and is directed towards facilities and comforts rather than experience.
6. **Health:-** Visit spas, go to saunas , undergo cures for chronic ailment, visit health clubs for workouts or do yoga i.e travel for health.
7. **Special Interest Tours:-** Is organised as per the special interests of the tourists ranging from medical, historical, archaeological and other interests to golf or fishing.
8. **Adventure and Wildlife:-** Far away from modern civilisation , with bearers and porters and mules, camels, elephants or jeeps, mixing trekking and hiking and camp life with the luxury of a first class hotel.
9. **Convention Tourism:-** To mix leisure with work, holding convention or meetings at tourist destinations.

### **Classification of Tourist:**

#### **A. Tourist is classified in two basic ways relating to the nature of their trip --**

Domestic and International tourists.

**Domestic tourist** -- refers to travel by resident within the country or residence.

**International tourist** -- involves travel outside the country of residence and there may well be currency, language and visa implication.

#### **B. Tourists can be classified by purpose of visit category:-**

1. **Leisure and recreation** --including holiday and cultural tourist visiting friends and relatives. (VFR)
2. **Other tourist** --purpose including study and health tourism.
3. **Business and professional** --including meeting, conferences, missions, incentives and business tourism.

#### **C. Tourists can be classified by different forms of tourism.**

1. The ridiculous tourist who is dressed in funny clothes and views everything through the lens of a camera.
2. The naive tourist, who is inexperienced in travel, always asks unnecessary questions and has no language skills.
3. The organised tourist who feels at home with a guide and a group of fellow tourists.
4. The ugly tourist who behaves as if he owns the world.
5. The uncultured tourist who is a beach bum and spends his time lazing and eating.
6. The rich tourist, who can afford anything, likes to show prosperity and enjoys being waited upon.
7. The exploiting tourist who spends a holiday at the cost of people and takes advantage of their culture, hospitality and poverty.
8. The polluting tourist who demands that for his comfort everything can be flattened or destroyed.
9. The alternative tourist who explores the few untouched corners of the world thus opening the way to mass tourism.

### **FACTORS THAT SHAPE DEMAND FOR TOURISM:**

1. Leisure Time – Holidays, vacations, retirement age, shrinking work, weekend.
2. Life Cycle Stage – Time and money available to finance tourism.
3. Increased mobility – cost and accessibility to air and automobile transport.
4. Work Patterns – flexibility of time.
5. Affluence – increased real incomes.
6. Women in the work force.
7. Attitudes to marriage.
8. Increased amenities to simplify home chores.
9. Trend towards smaller families, higher education and higher life expectancy.

10. Increasing urbanisation and migration.

To encourage the full potential of these factors it is expected that destinations should:

- Have increased accessibility by scheduled, charter and domestic air services,
- Promote market exchange rate (devaluation) and control inflation.
- Re-orient the business cycle.
- Relax visa controls encourage tourism education and language skills.
- Use technology (like air-conditioning) to counter climate.
- Ensure safe health conditions and control pollution(international standards of hygiene), and
- Resolve political disputes to ensure stability so that one feels secure.

### **PRIMARY / MAJOR CONSTITUENTS OF TOURISM**

- 1) **Transport:** Well you need a mode of transport to travel or to suggest on to your client if you are a travel agent or a tour operator. Further, the travel depends on the availability of seats etc. Today, the travel industry is a highly developed industry with its various branches in the areas of road, rail, air and water.
- 2) **Accommodation:** A tourist not only travels but also stays somewhere. And here comes accommodation. It could be of different types i.e. from cottages or tourist lodges to house boat or a five star hotel.
- 3) **Catering Food and Entertainment:** Well, a tourist has to eat also and here comes the role of catering food. Restaurants, fast food joints and dhabas, all play a role in this regard with different cuisine to offer. Different forms of entertainments are provided as attractions at the destinations.
- 4) **Intermediaries:** The intermediaries constitute the travel agency tour operator and guide services. The constituent who co-relates all the components of tourism is the travel agent, tour operator who has accumulated knowledge, expertise and contacts with providers of services. He is a useful and invaluable intermediary between the traveller and the suppliers of tourists services i.e. airlines, transport companies, hotels and auto – rental companies.

Some of the travel agents are also tour operators who manufacture tourism products. They plan, organise and sell tours. They make all necessary

arrangements like transport, accommodation, sight-seeing, insurance, entertainment and other allied services and sell this 'package' for annual inclusive price. A package tour may be a special interest tour, mountain tour, advantage tour or a pilgrimage tour. These tours are escorted and include transportation, meals, sight-seeing, accommodation and guide services. The escort or the group leader is responsible for maintaining the schedule of the tour and for looking after all the arrangements. The guide services play a vital role in tourism as a tourist feels comfortable when the essence of the culture is explained – especially when it is done in his own language.

- 5) **Government Departments/Tourist Information Centres/Tourism Organisations:** Many national and international organisations related to tourism form part of the Tourism Industry.

### **Secondary constituents**

1. Shops and Emporium: These sell various products to tourists. Many state governments have opened the emporiums in other states also. For example in Delhi practically all state emporiums are on Baba Singh Marg.
2. Handicrafts and Souvenirs: Certain handicrafts and souvenirs industries today are totally dependent on tourists for their sales.
3. Local taxi-transportation.
4. Hawkers and coolies.
5. Communication services at the destination.
6. Touts and Brokers.
7. Advertisement agencies.
8. Publishing industry i.e Publishers who publish travel guides, brochures, magazines, postcards etc.
9. Artists, performers, musicians, etc who perform for the entertainment of tourist.

### **Role of Transport in Tourism**

In a vast country like India with extensive diversity, fast and efficient means of transport is very essential to link the various places. Tourism as an industry can only be developed if the time taken to cover the long distances is cut short to the

minimum. In today's industrial society, the time at the disposal of a tourist is very limited. A leisure tourist may have only a few weeks while the business tourist can afford to spend only a few days. Consumer psychology is as present in tourist industry as in any other service industry and thus the tourists like to maximise the returns of their spending by covering in their itinerary as many places as possible within the limited time-frame. Likewise, business delegates cherish sight-seeing and visits to places of historical value at the end of their session.

India's share of world tourist traffic is 0.29% with around a million per annum visiting India. One amongst the various obstacles in achieving an increase in international tourism is the serious deficiency in travel facilities from the main points of arrival in the country to the centre of tourist attraction which they want to visit and stay at. The growth of air travel capacity during the next decade will have to cater to this requirement. Tourist traffic is estimated to grow at 6% annually.

The road transport plays a major role in the short distance travel. However, the share of buses being only 1.3% and cars, jeeps and taxi 7.8% in the total road traffic, it is inadequately developed. The role of luxury coaches and rent-a-car system is virtually insignificant and has only a symbolic existence in and between certain metropolitan cities. The service through this mode offered today is lacking in comfort and choice and is thus an impediment in the growth of domestic as well as international tourist traffic. In spite of the short-comings it is one of the major modes of transport for inland tourists.

The advantages offered by the railways in long distance have made this mode the main arterial link between the length and breadth of the country for the tourist traffic and its role in inland transportation is no less important. Along with the road transport, it provides the basic infrastructure for movement of tourists inland, though its popularity and utility for the foreign tourists is very little as they prefer the air transport which provides greatest speed and comfort.

The share of water ways inland, coastal and overseas, is negligible in tourist traffic. Ropeways also have a distinct advantage in hill ranges, and rapid streams, the latter with frequent changes in their courses. More than 16% of the country's areas is hilly. However, the total length of ropeways in India is hardly a few hundred kilometres and thus this mode, though quite suitable in specific areas, has remained untapped till date.

**The importance of air transport in tourism stems from the fact that India has a well established surface transport system. This, however, suffers from serious shortcomings:**

1. Road transport being stagnant is unable to play its full role in the promotion and growth of tourism.
2. The rail system, on the other hand, though fairly extensive, is good only in parts.

In a large country like ours and the short time at the disposal of the average tourist, rail travel is too slow to satisfy the needs of international tourists. The railways are trying hard to cope with these shortcomings.

At present 40% of the incoming traffic by air consists of tourists. Because of geographical reasons, the vast majority of tourists (90%) coming to India arrive and depart by air. After arriving in India the tourists are again largely dependent on air transport for their movements within the country. This is so because of the vastness of the country and unlike developed countries we do not have a road/coach system offering the necessary quality of service and choice.

Surveys of Indian Airlines passengers profile indicated that 73% of its total traffic constituted business travellers while 17% on vacation and the rest are on account of personal reasons. Eighty-two percent of the passengers were resident Indians, while 18% were foreign nationals and NRIs. Most of the foreign tourists go through one of the 4 metros as they are major entry points. A part from the 4 metros. Agra, Jaipur, Varanasi, Bangalore and Goa were among the 10 top tourist places visited by the foreign tourists.

### **Various Types of Accommodation**

**1. Five Star Deluxe Hotels:** These are usually to be found in metropolitan city areas and have anywhere between 200 to 800 rooms. Some hotels in this category have over a thousand rooms in their inventory. They are categorised by certain international standards which include a given number of restaurants, a particular size of lobby, business centre facilities, a swimming pool etc., including, of course, very strict standards of quality control. These hotels are usually used primarily by the business executives (often 90percent of the customers are business men and women) and the very upscale tourists.

There are also other star categories like three star, one star etc. However, categorisation into stars is **not mandatory** in India. Hotels offer themselves for categorisation which is based on certain criteria and inspection by officials.

**2. First Class Hotels:** These are a step down from the above category, but contain most of the facilities that are provided in the “Five Star Deluxe” hotels. These are also located usually in the large metropolitan cities and some mid-sized cities as well. These hotels are also used by a combination of business executives and tourists.

**3. Non-Star Hotels:** At every tourist destination you come across many small hotels who don't come under classified categories. Yet many tourist stays there as per their budget adjustments. For example at Kovalam beach there is the ITDC Ashoka group hotel. But many tourists cannot afford it and they stay in small staying places near the beach. Such examples are abundant at every destination be it a hill station or a pilgrimage centre.

**4. Resorts and Lodges:** These are meant almost exclusively for the tourist and more often are found in so-called “off the beaten track” destinations. In some countries where the economic dependence on tourism is very great, such accommodation can also be found in the cities or just outside the cities. Thus, in Kenya for example, one can find very elaborate lodges even in Nairobi, the capital city where most tourists enter the country.

The Resorts and Lodges usually have certain features such as elaborate swimming pools, a balcony or patio overlooking each room and entertainment facilities.

In India we have Beach resorts, Hill resorts and Wild Life resorts. These resort hotels commonly cater to tourists of different tastes and budgets. Whether luxury or low budget resorts they primarily offer a stay in the natural surroundings. These resorts are generally seasonal.

**5. Tented Camps:** While most of the types of accommodation discussed so far involve solid structures, a type that is fast gaining popularity around the world is the tented camp variety. These involve relatively low investment. These are ecologically very friendly in that they do not threaten to spoil the landscape too much and can be set up seasonally to reduce expenditure by not having to spend too much on the upkeep of the place when the tourist season is over.

Tented camps are usually set up in very remote places such as near a game park or reserve (some countries allow such camps even within the game reserve) and they have anywhere from 10 to 80 rooms. Their bathrooms are either attached or set up separately,

depending on the level of luxury that is intended to be provided. In addition to game parks, which are associated with wildlife viewing and safaris, tour operators have set up tented camps in conjunction with other activities such as fishing tours, white-water rafting tours and canoeing.

Another variation of the tented camp is the mobile tented camps which are used when trekking in various parts of the world.

**6. Heritage Hotels:** Tourists visiting a historical city are very fond of historical palaces. Often they dream of staying in the same way and style as that of Rajas. Keeping in view this tourist interest the Government of India's Tourism Department started encouraging Heritage Hotels. By providing financial incentives to the owners of forts, palaces and havelis the Tourism Department encourages the owners to convert their properties into Heritage Hotels. Responding to this scheme Heritage Hotels have come up in many areas.

**7. Guest Houses:** The guest house is to be found in cities, towns and even remote destinations. Usually those who use these facilities are individuals who travel on their own, spend relatively longer periods of time in a particular destination, wish to get to know the host culture intimately and want their expenditure to be modest. Therefore, they may have only one or two meals a day and spend the rest of the time outside the guest house. More often than not, the guest house is run by a family and although they may do so in a very efficient manner, the operations are not what might be called "professionally" managed and the tourist is often living, literally, as a "guest" of a family. The House Boat accommodation is a unique example of this category.

Recently in different tourist places the system of paying guest accommodation is gaining much popularity. This has two basic purposes:

a. Firstly tourists coming from outside India or from various regions of India are generally fond of local etiquette, household, culture, and home - made food. Compared to staying in hotels which provide typical hotel culture, more or less same everywhere, staying with a local family at tourist places is both economical and informative for knowing the local people and their culture.

b. Secondly, paying guest accommodation provides the local people with a source of earning without any investment as well as the opportunity to learn different cultures.

**8. AlternativeAccommodation:** While the above are some of the broad categories into which the types of accommodation are divided, there are a whole range of other types of accommodation such as the small boarding houses which are converted into so called ‘guest houses’, the YMCA and YWCA facilities, lodges are managed by tourism departments and “tourist camps”. Some of these could also be kept in mind when a professional in the tourism industry is informing his or her potential customer of the options available for accommodation purposes. One can also recommend for short or overnight stay at the rest rooms of the railways or dharamshalas.

It goes without saying that each of the above types of accommodation has its own advantages and disadvantages. But what is different about the tourist accommodation is that it must incorporate specialised activities (unique recreational and educational) into its architectural design. Similarly, innovative meal plans (often quite elaborate) are also customer’s need that must be taken into account.

## Chapter – V

### E-commerce

#### Introduction:

**Electronic commerce**, commonly known as **E-commerce** or **eCommerce**, is trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as [mobile commerce](#), [electronic funds transfer](#), [supply chain management](#), [Internet marketing](#), [online transaction processing](#), [electronic data interchange](#) (EDI), [inventory management systems](#), and automated [data collection](#) systems. Modern electronic commerce typically uses the [World Wide Web](#) for

at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail.

Given below are 10 unique features of ecommerce technology

- viii) **Breaks geographical barrier:** Unlike traditional retail business, ecommerce is not bounded by geographical barriers. Today an e-commerce company can easily sell its products to consumers residing in any part of the country.
- ix) **Saves precious time:** Ecommerce helps in saving the most important thing in today's modern world: 'Time'. Consumers from the comfort of their home, office and even café can buy any product they wish to buy. Thanks to e-commerce, consumers save a lot of precious time that is otherwise wasted if they opt for traditional shopping.
- x) **Accurate information:** Today e-commerce companies across the world are doling out product information's that are accurate & to the point, which eventually helps consumers to make better buying decisions. These information's are free from all the inaccuracies & hidden facts that are very much used by traditional retail models as their selling strategy. Besides, e-commerce companies also provide accurate information to customers about billing, payment & shipping.
- xi) **Ubiquity:** Ubiquity means state of being everywhere at once. With unprecedented growth in the sales of tablets & smart phones, laptops and other internet-related gadgets, e-commerce companies literally follow their consumers wherever they go. E-commerce shopping can be done even when a consumer is walking or jogging.
- xii) **Impersonal interaction:** Since e-commerce technology completely depends on internet & web to reach to its customers, the interaction with consumers will always be impersonal in nature; as in it is not face-to-face interaction.

- xiii) **Customers are truly king in the e commerce world:** Today every month literally hundreds of e commerce companies are popping up in every corner of the world. This intense among E commerce companies is only befitting customers, who today have more choices to choose from and discount vouchers to avail – for instance Littlewoods Voucher Codes.
- xiv) **Power of accessibility:** Since today e commerce is so easily accessible by the virtue of power of internet, consumers can buy anything & everything as and when they desire for. In fact a mere impulsive desire or slight craving for a product can lead to expensive shopping, this is all thanks to accessibility to shopping that is possible only via e commerce technology.
- xv) **Cuts supply chain:** E commerce technology has immensely helped in cutting the cumbersome supply chain of wholesale & retail and also overreliance on sales force team. This only helps in reducing the cost of the product, which eventually benefits the customer.
- xvi) **Ever changing nature of business:** Since today technology is changing at lightening speed by every passing day, the nature of e commerce business will also change along with it. Who knows technology development in coming years will make e commerce more customer friendly, or there can be other fundamental changes to the e commerce business too.
- xvii) **Technology can equally be barrier:** Technology has helped e commerce companies to break geographical & other barriers. However overreliance on technology & complete absence of face to face interaction has created immense trust barrier between e commerce companies and customers. This is especially true in the case of conservative country like India where even today people don't completely trust e commerce companies, especially when it comes to on line payment.

## **TYPES OF E - COMMERCE**

### **On Premise E-commerce**

On-premise E-commerce software usually requires initial one time purchase investment in terms of licensing fees. Also, it implies extra costs related to hardware and installation services as well as data migration and on-going maintenance fees that are usually charged on a yearly basis for software updates and support. Some examples of typical on premise E-commerce platforms are [Hybris \(company\)](#), [Intershop Communications](#), [Sana Commerce](#), [Oorjit](#) and [IBM WebSphere](#).<sup>1</sup>

**Advantages:**

- 9) Easily customizable;
- 10) Data security;
- 11) High performance;

**Disadvantages:**

- 8) Large initial investment;
- 9) Self-maintenance;
- 10) Technical knowledge

**Software as a service (SaaS) E-commerce**

Software as a Service (SaaS)- is a cloud based delivery model in which applications are hosted and managed in a service provider's datacenter, paid for on a subscription basis and accessed via a browser over an internet connection. Two examples of typical SaaS E-commerce solutions are [Shopify](#) and [Demandware](#).

**Advantages:**

- 5. Affordable low-cost solution.
- 6. Hosted/upgraded by E-commerce provider.
- 7. Easily scalable.

**Disadvantages:**

- 2) Limited integration with back-end systems.
- 3) Lack of data security.
- 4) Limited control over the system.

## **Open source E-commerce**

Open source e-Commerce is a free of charge platform that doesn't imply licenses fee. Furthermore, open source users are also responsible for installing, maintaining, securing and configuring the software on their own servers. In order to set up an open source platform, basic technical expertise is required in the areas of web design and development. Software products that are distributed as open source are generally free, and users can access and modify the source code. Three examples of typical open source E-commerce platforms are

Presta Shop and [osCommerce](#), [Magento](#) and [Thelia](#).

### **Advantages:**

- 6) Free of charge system;
- 7) Wide variety of available addons /plugins/extensions;
- 8) Better flexibility with a customizable source code;

### **Disadvantages:**

- 5) More technical knowledge required;
- 6) Performance depends on hosting costs
- 7) No standard integration with back-end system;

## **MODELS**

### **E-COMMERCE MODELS**

E-Commerce Models :Creating an e-commerce solution mainly involves creating and deploying an e-commerce site. The first step in the development of an e-commerce site is to identify the e-commerce model.

Depending on the parties involved in the transaction, e-commerce can be classified into 4 models.

**These are:**

- Business – to – Business (B2B) model
- Business – to – Consumer (B2C) model
- Consumer – to- Consumer (C2C) model
- Consumer – to – Business (C2B) model

**Let us look at each of them in detail.**

**Business-to-Business (B2B) Model:** The B2B model involves electronic transactions for ordering, purchasing, as well as other administrative tasks between houses. It includes trading goods, such as business subscriptions, professional services, manufacturing, and wholesale dealings. Sometimes in the B2B model, business may exist between virtual companies, neither of which may have any physical existence.

In such cases, business is conducted only through the Internet.

Let us look at the same example of [www.amazon.com](http://www.amazon.com). As you know, [www.amazon.com](http://www.amazon.com) is an online bookstore that sells books from various publishers including Wrox, O'Reilly, Premier Press, and so on. In this case, the publishers have the option of either developing their own site or

displaying their books on the Amazon site ([www.amazon.com](http://www.amazon.com)), or both. The publishers mainly choose to display their books on [www.amazon.com](http://www.amazon.com) as it gives them a larger audience. Now, to do this, the publishers need to transact with Amazon, involving business houses on both the ends, is the B2B model.

Consider a hypothetical example. ABC company sells automobile parts and XYZ company assembles these part and then sells the automobile to customers. XYZ company comes across the Web site of ABC and finds it suitable. XYZ therefore, requests for more information about ABC and finally, decides to purchase automobile parts automobile from ABC. To do this, XYZ places an order on the Web site of ABC. After ABC receives the order details, it validates the information. As soon as the order is confirmed, the payment procedures are settled. Finally, ABC sends an acknowledgement of payment to

XYZ and delivers the goods as per the shipment details decided between the two organizations.

**Business-to-Consumer (B2C) Model:** The B2C model involves transactions between business organizations and consumers. It applies to any business organization that sells its products or services to consumers over the Internet. These sites display product information in an online catalog and store it in a database. The B2C model also includes services online banking, travel services, and health information.

Consider a hypothetical example in which a transaction is conducted between a business organization and a consumer. A business house, LMN Department Store, displays and sells a range of products on their Web site, [www.lmn.com](http://www.lmn.com). The details information of all their products is contained in the huge catalogs maintained by LMN Department Stores. Now, a consumer, William Ward, wants to buy a gift for his wife. He therefore, logs on to the site of LMN Department Stores and selects a gift from the catalog. He also gets the detailed information about the gift such as, the price, availability, discounts, and so on from their catalog. Finally, when he decides to buy the gift, he places an order for the gift on their Web site. To place an order, he needs to specify his personal and credit card information on [www.lmn.com](http://www.lmn.com). This information is then validated by LMN Department Store and stored in their database. On verification of the information the order is processed.

**Consumer-to-Consumer (C2C) Model:** The C2C model involves transaction between consumers. Here, a consumer sells directly to another consumer. eBay and [www.bazee.com](http://www.bazee.com) are common examples of online auction Web sites that provide a consumer to advertise and sell their products online to another consumer.

However, it is essential that both the seller and the buyer must register with the auction site. While the seller needs to pay a fixed fee to the online auction house to sell their

products, the buyer can bid without paying any fee. The site brings the buyer and seller together to conduct deals.

Let us now look at the previous figure with respect to eBay. When a customer plans to sell his products to other customers on the Web site of eBay, he first needs to interact with an eBay site, which in this case acts as a facilitator of the overall transaction. Then, the seller can host his product on [www.ebay.com](http://www.ebay.com), which in turn charges him for this. Any buyer can now browse the site of eBay to search for the product he interested in. If the buyer comes across such a product, he places an order for the same on the Web site of eBay. eBay now purchase the product from the seller and then, sells it to the buyer. In this way, though the transaction is between two customers, an organization acts as an interface between the two organizations.

**Consumer-to-Business (C2B) Model:** The C2B model involves a transaction that is conducted between a consumer and a business organization. It is similar to the B2C model, however, the difference is that in this case the consumer is the seller and the business organization is the buyer. In this kind of a transaction, the consumers decide the price of a particular product rather than the supplier. This category includes individuals who sell products and services to organizations. For example, [www.monster.com](http://www.monster.com) is a Web site on which a consumer can post his bio-data for the services he can offer. Any business organization that is interested in deploying the services of the consumer can contact him and then employ him, if suitable.

Let us look at another example of the C2B model.

William Ward needs to buy an airline ticket for his journey form New York to New Jersey. William needs to travel immediately. Therefore, he searches a Web site for a ticket. The Web site offers bidding facility to people who want to buy tickets immediately. On the Web site, William quotes the highest price and gets the ticket.

**In addition to the models discussed so far, five new models are being worked on that involves transactions between the government and other entities, such as consumer,**

**business organizations, and other governments. All these transactions that involve government as one entity are called e-governance. The various models in the e-governance scenario are:**

- **Government-to-Government (G2G) model:** This model involves transactions between 2 governments. For example, if the American government wants to buy oil from the Arabian government, the transaction involved are categorized in the G2G model.
- **Government-to-Consumer (G2C) model:** In this model, the government transacts with an individual consumer. For example, a government can enforce laws pertaining to tax payments on individual consumers over the Internet by using the G2C model.
- **Consumer-to-Government (C2G) model:** In this model, an individual consumer interacts with the government. For example, a consumer can pay his income tax or house tax online. The transactions involved in this case are C2G transactions.
- **Government-to-Business (G2B) model:** This model involves transactions between a government and business organizations. For example, the government plans to build a fly over. For this, the government requests for tenders from various contractors. Government can do this over the Internet by using the G2B model.
- **Business-to-Government (B2G) model:** In this model, the business houses transact with the government over the Internet. For example, similar to an individual consumer, business houses can also pay their taxes on the Internet.

## **BENEFITS OF ECOMMERCE**

E Commerce is one of the most important facets of the Internet to have emerged in the recent times. Ecommerce or electronic commerce involves carrying out business over the Internet with the assistance of computers, which are linked to each other forming a network. To be specific ecommerce would be buying and selling of goods and services and transfer of funds through digital communications.

The benefits of Ecommerce:

- v) Ecommerce allows people to carry out businesses without the barriers of time or distance. One can log on to the Internet at any point of time, be it day or night and purchase or sell anything one desires at a single click of the mouse.
- vi) The direct cost-of-sale for an order taken from a web site is lower than through traditional means (retail, paper based), as there is no human interaction during the on-line electronic purchase order process. Also, electronic selling virtually eliminates processing errors, as well as being faster and more convenient for the visitor.
- vii) Ecommerce is ideal for niche products. Customers for such products are usually few. But in the vast market place i.e. the Internet, even niche products could generate viable volumes.
- viii) Another important benefit of Ecommerce is that it is the cheapest means of doing business.
- ix) The day-to-day pressures of the marketplace have played their part in reducing the opportunities for companies to invest in improving their competitive position. A mature market, increased competitions have all reduced the amount of money available to invest. If the selling price cannot be increased and the manufactured cost cannot be decreased then the difference can be in the way the business is carried out. Ecommerce has provided the solution by decimating the costs, which are incurred.
- x) From the buyer's perspective also ecommerce offers a lot of tangible advantages.
  - a. Reduction in buyer's sorting out time.
  - b. Better buyer decisions
  - c. Less time is spent in resolving invoice and order discrepancies.

- d. Increased opportunities for buying alternative products.
- xi) The strategic benefit of making a business 'ecommerce enabled', is that it helps reduce the delivery time, labour cost and the cost incurred in the following areas:
- a. Document preparation
  - b. Error detection and correction
  - c. Reconciliation
  - d. Mail preparation
  - e. Telephone calling
  - f. Credit card machines
  - g. Data entry
  - h. Overtime
  - i. Supervision expenses

### **PAPER BASED BUSINESS V/S EDI**

In the paper-based method, the following process typically occurs:

- 10) The inventory system automatically notifies the buyer to place an order, or, after querying the inventory system, the buyer determines that an order needs to be created.
- 11) The buyer enters data onto the screen of a purchasing system to create the PO, prints and mails it.
- 12) After several days, the vendor receives the PO and manually enters it into the sales order system.
- 13) The vendor prints an invoice and encloses it with the shipment and/or sends it separately by mail.
- 14) The buyer manually enters the invoice into the Accounts Payable system.

The exchange of paper documents can add a week to the process. If there are errors caused by manual data entry, the time can be greatly increased.

**Now compare that with the EDI process:**

6) The buyer's procurement system, which utilizes EDI software, automatically generates and sends an EDI-formatted PO when inventory reaches the critical level.

7) Within minutes the vendor's sales order system, utilizing EDI software, receives the EDI PO, notifies the shipping department to ship the goods and generates an EDI invoice to be transmitted directly to the buyer's accounts payable system.

8) The EDI process can be completed within hours.

**APPLICATIONS OF EDI**

**1) Order integration**

Creating, sending and follow-up of supply orders generated by the purchasing departments involves dedicating important technical and human resources to processing the orders to suppliers in the right time and format.

For suppliers, the interpretation and typifying of these orders in the internal management system entails a large amount of work to be done by the commercial and administration departments of the vendor companies.

In any case, we are talking about critical operations both for buyers and suppliers, since at the end of the day they all depend on the provision of an efficient and high quality service to end customers of both parties.

**2) dispatch advice integration**

The dispatch advice, as a document accompanying the goods in transit to the customer, is a key business transaction to verify that the goods actually received correspond to the purchase order specifications.

The ability to perform these checks prior to issuing the invoice lets you make adjustments if there are any differences with respect to the initial purchase order, ensuring that your final payment or billing documents are correct, whether you are sending or receiving the goods.

### **3) Integrating invoices**

Automating the billing process is a strategic element that can achieve savings of up to 90% compared to managing these documents manually.

The volume of payable invoices often handled by accounting departments calls for measures to optimize the operations associated with revision, validation, registration and payment to the supplier. These are key tasks for any purchasing department, since management efficiency depends on them.

Likewise, invoice issuers have to devote costly resources to critical aspects of the commercial process such as checking deliveries and periodic billing for clients, as well as the manual tasks of printing, enveloping, stamping and sending. Other tasks also require regular follow-up to check receipt of the invoice on arrival and its status in the Accounts Payable Department.

Integration of electronic invoices lets you automate almost all of these steps, providing great competitive advantages for senders and receivers that translate as better management efficiency ratios, and consequently in significant cost savings.

### **4) E air waybills**

A global platform that deploys EDI technology (Electronic Data Interchange) for electronic issuance of all documents involved in the exchange of information in air freight cargo operations. The EDICOM e-Air Waybill solution is certified by the IATA as

a valid international platform to connect with airlines, forwarding agents and customs at any airport adapted to the new electronic system.

### **ADVANTAGES OF EDI**

- 8) EDI provides cost savings by reducing paper and eliminating paper processing.
- 9) Time savings and eliminating repetition are other benefits from the reduction in paper processing.
- 10) Documents can be transferred more quickly and processing errors can be decreased allowing business to be done more efficiently.
- 11) More efficient processing will likely lead to improved customer service which will ultimately expand the customer base.

### **Disadvantages of EDI**

- Contrasted to XML, which is not strictly standardized, many consider EDI to have too many standards.
- There are various standards bodies who have developed 'standard document formats' for EDI which can cause problems with cross compatibility.
- These standards bodies also push standards revisions annually which could cause problems if you have a more recent version of a document than a business partner.
- EDI systems are extremely expensive making it difficult for small businesses to implement.
- Many large organizations will only work with others who utilize EDI. This may limit the business small companies are able to do with such organizations and limit trading partners.

## **CHAPTER 6**

### **E-Governance**

#### **Introduction**

E-Governance aka Electronic Governance means using Information and Communications Technology (ICT) to transform functioning of the Government.

It differs from E-Government as Governance is wider than Government. E-governance may refer to governance of a Country, or the governance of an institution and also governance of a Household by a housewife. However E-Governance under this blog refers to the Governance of a Country.

### **What is E-Government?**

E-Government i.e. Electronic Government is the use of Information and Communications Technology (ICT) to run or carry on the business of the Government of a Country.

However the term E-government is misleading, as it implies an electronic substitute for the physical government. Electronic substitution of a government is not possible as Government is an unit of people coming together to administer a country.

A Government is a group of people responsible for the administration and control of a Country/State. It involves people like the Heads of States, Ministers, Government Employees, etc. It also involves public participation. So electronic substitution for a Government is not possible. Therefore, E-Government may only refer to a Government using in conducting its business.

### **E-Governance - What does it mean?**

The term 'Governance' is wider than 'Government'. Governance may be an activity of governing/controlling a country by its Government, controlling of an organisation or a company by its CEO or Board of Directors or controlling of a house hold by the head of the house, Accordingly E-governance may also involve governing of a country, organisation, company or a household, however with the help of Information and Communication Technology (ICT).

But when we talk of E-Governance in the popular parlance we only refer to the governing of a Country/State using ICT. E-governance therefore means the application of ICT to transform the efficiency, effectiveness, transparency and accountability of exchange of information and transaction:

1. between Governments,
2. between Government agencies,
3. between Government and Citizens
4. between Government and businesses

E-governance also aims to empower people through giving them access to information.

## **Scope of E-Governance**

Governance is all about flow of information between the Government and Citizens, Government and Businesses and Government and Government. E-Governance also covers all these relationships as follows:

- A. Government to Citizen (G2C)
- B. Citizen to Government (C2G)
- C. Government to Government (G2G)
- D. Government to Business (G2B)

### **A. Government to Citizen**

Government to Citizen relationship is the most basic aspect of E-Governance. In modern times, Government deals with many aspects of the life of a citizen. The relation of a citizen with the Government starts with the birth and ends with the death of the citizen. A person transacts with the Government on every corner of his life. May it be birth registration, marriage registration, divorce or death registration.

The G2C relation will include the services provided by the Government to the Citizens. These services include the public utility services i.e. Telecommunication, Transportation, Post, Medical facilities, Electricity, Education and also some of the democratic services relating to the citizenship such as Certification, Registration, Licensing, Taxation, Passports, ID Cards etc.

Therefore E-Governance in G2C relationship will involve facilitation of the services flowing from Government towards Citizens with the use of Information and Communications Technology (ICT).

**1. E-Citizenship** - E-Citizenship will include the implementation of ICT for facilitation of Government Services relating to citizenship of an individual. It may involve online transactions relating to issue and renewal of documents like *Ration Cards*, *Passports*, *Election Cards*, *Identity Cards*, etc. It will require the Government to create a virtual identity of every citizen so as to enable them to access the Government services online. For the same, Government would need to create a Citizen Database which is a huge task.

**2. E-Registration** - E-Registration will cover the online registration of various contracts. An individual enters into several contracts during his life. Many of these contracts and transactions require registration for giving it legality and enforceability. Such registration may also be made ICT enabled. E-registration will help to reduce a significant amount of paperwork.

**3. E-Transportation** - E-Transportation services would include ICT enablement of services of Government relating to Transport by Road, Rail, Water or Air. This may involve online –

1. Booking and cancellation of tickets,
2. Status of vehicles, railways, boats and flights,
3. Issue and renewal of Driving Licences,
4. Registration and renewal of vehicles,
5. Transfer of vehicles,
6. Payment of the fees of licences,
7. Payment of fees and taxes for vehicle registration,

**4. E-Health** - E-Health services would be ICT enablement of the health services of the Government. Under this interconnection of all hospitals may take place. A patient database may be created. A local pharmacy database may also be created. All this can be done.

**5. E-Education** - E-Education would cover the implementation of ICT in imparting of education and conducting of Courses. Distant as well as classroom education will be facilitated with the use of ICT. Use of internet can reduce the communication time required in Distance education; Internet may also help in conducting online classes.

**6. E-Help** - E-Help refers to facilitation of disaster and crisis management using ICT. It includes the use of technologies like internet, SMS, etc. for the purpose of reducing the response time of the Government agencies to the disasters. NGOs help Government in providing help in situations of disasters. Online information relating to disasters, warnings and calls for help can help the Government and the NGOs coordinate their work and facilitate and speed up the rescue work.

**7. E-Taxation** - E-Taxation will facilitate the taxing process by implementing ICT in the taxing process. Online tax due alerts and online payment of taxes would help transact faster.

## **B. Citizen to Government**

Citizen to Government relationship will include the communication of citizens with the Government arising in the Democratic process like voting, campaigning, feedback, etc.

**1. E-Democracy** - The true concept of Democracy includes the participation of the citizens in the democratic and governing process. Today due to the increased population the active participation of the citizens in governing process is not possible. The ICT can help enable the true democratic process including voting, public opinion, feedback and Government accountability.

**2. E-Feedback** - E-Feedback includes the use of ICT for the purpose of giving feedback to the Government. Lobbying is pursuing the Government to take a certain decision. Use of ICT can enable online feedback to the Government, online debates as to the Government services.

## **C. Government to Government**

G2G relationship would include the relationships between Central and State Government and also the relationship between two or more Government departments.

**1. E-administration** - E-administration would include the implementation of ICT in the functioning of the Government, internally and externally. Implementation of ICT can reduce the communication time between the Government Departments and Governments. It can substantially reduce paperwork if properly used. E-administration will also bring morality and transparency to the administration of Government Departments.

**2. E-police** - The concept of E-police is little different from Cyber-Police. Cyber Police require technology experts to curb the electronic/cyber crimes. E-police refers to the use of ICT for the purpose of facilitating the work of the Police department in investigation and administration. The concept of E-police includes databases of Police Officers, their performances, Criminal databases – wanted as well as in custody, the trends in crimes and much more. ICT can help reduce the response time of the Police department and also reduce cost by reducing paperwork.

**3. E-courts** - The concept of E-Court will include the ICT enablement of the judicial process. Technology may help distant hearing, online summons and warrants and online publication of Judgments and Decrees.

## **D. Government to Business**

**1. E-Taxation** - Corporate sector pays many taxes, duties and dues to the Government. Payment of these taxes and duties will be made easier by E-Taxation. Online taxing and online payment of taxes can help reduce cost and time required for physical submission of taxes. ICT can also help crosscheck the frauds and deficiencies in payment, further bringing accuracy and revenue to the Government.

**2. E-Licencing** - Companies have to acquire various licences from the Government, similarly the companies have to acquire various registrations. ICT enablement of the licensing and registration can reduce time and cost.

**3. E-Tendering** - E-Tendering will include the facilities of online tendering and procurement. It will online alerts as to new opportunities of business with the Government and also online submission of tenders and online allotment of work. It will reduce time and cost involved in the physical tendering system.

## **Object of E-Governance**

The object of E-Governance is to provide a SMARRT Government. The Acronym SMARRT refers to Simple, Moral, Accountable, Responsive, Responsible and Transparent Government.

**S** - The use of ICT brings simplicity in governance through electronic documentation, online submission, online service delivery, etc.

**M** - It brings Morality to governance as immoralities like bribing, red-tapism, etc. are eliminated.

**A** - It makes the Government accountable as all the data and information of Government is available online for consideration of every citizen, the NGOs and the media.

**R** - Due to reduced paperwork and increased communication speeds and decreased communication time, the Government agencies become responsive.

**R** - Technology can help convert an irresponsible Government Responsible. Increased access to information makes more informed citizens. And these empowered citizens make a responsible Government.

**T** - With increased morality, online availability of information and reduced red-tapism the process of governance becomes transparent leaving no room for the Government to conceal any information from the citizens.

These objects of E-Governance are achievable with the use of ICT and therefore the concept is very alluring and desirable.

### **Advantages of E-Governance**

Following are the advantages of E-Governance

**1. Speed** – Technology makes communication speedier. Internet, Phones, Cell Phones have reduced the time taken in normal communication.

**2. Cost Reduction** – Most of the Government expenditure is appropriated towards the cost of stationary. Paper-based communication needs lots of stationary, printers, computers, etc. which calls for continuous heavy expenditure. Internet and Phones makes communication cheaper saving valuable money for the Government.

**3. Transparency** – Use of ICT makes governing process transparent. All the information of the Government would be made available on the internet. The citizens can see the information whenever they want to see. But this is only possible when every piece of information of the Government is uploaded on the internet and is available for the public to peruse. Current governing process leaves many ways to conceal the information from all the people. ICT helps make the information available online eliminating all the possibilities of concealing of information.

**4. Accountability** – Once the governing process is made transparent the Government is automatically made accountable. Accountability is answerability of the Government to

the people. It is the answerability for the deeds of the Government. An accountable Government is a responsible Government.

## **Objectives of E-Governance**

Following are the objectives/aims of E-Governance:

- 1. To build an informed society** – An informed society is an empowered society. Only informed people can make a Government responsible. So providing access to all to every piece of information of the Government and of public importance is one of the basic objective of E-Governance.
- 2. To increase Government and Citizen interaction** - In the physical world, the Government and Citizens hardly interact. The amount of feedback from and to the citizens is very negligible. E-Governance aims at build a feedback framework, to get feedback from the people and to make the Government aware of people's problems.
- 3. To encourage citizen participation** - True democracy requires participation of each individual citizen. Increased population has led to representative democracy, which is not democracy in the true sense. E-governance aims to restore democracy to its true meaning by improving citizen participation in the Governing process, by improving the feedback, access to information and overall participation of the citizens in the decision making.
- 4. To bring transparency in the governing process** - E-governance carries an objective to make the Governing process transparent by making all the Government data and information available to the people for access. It is to make people know the decisions, and policies of the Government.
- 5) To make the Government accountable** - Government is responsible and answerable for every act decision taken by it. E-Governance aims and will help make the Government more accountable than now by bringing transparency's and making the citizens more informed.
- 6) To reduce the cost of Governance** - E-Governance also aims to reduce cost of governance by cutting down on expenditure on physical delivery of information and services. It aims to do this by cutting down on stationary, which amounts to the most of the government's expenditure. It also does away with the physical communication thereby reducing the time required for communication while

reducing

cost.

**7) To reduce the reaction time of the Government** – Normally due to red-tapism and other reasons, the Government takes long to reply to people's queries and problems. E-Governance aims to reduce the reaction time of the Government to the people's queries and problems, because 's problems are basically Government's problems as Government is for the people.

## **CHAPTER 7**

### **MANAGERIAL ECONOMICS**

## **What is Business or Managerial Economics?**

Business is a part and parcel of economic activity. Business Economics is essentially an applied economics in understanding and analysing business activity.

Business Economics, in particular, is the study of allocation of resources available to a firm or other unit of management among the activities of that unit. **Business or managerial economics** is fundamentally concerned with the art of economising, i.e. making rational choices to yield maximum return out of minimum resources and efforts by making the best selection among alternative courses of action.

**Definition:** Business economics or managerial economics is the synthesis of economic theory, tools and techniques of decision science and business management in the decision making problems.

Business economics or managerial economics deals with a thorough analysis of key elements involved in the business decision making. For example, if a business manager wants to enlarge its firm's products' share in the market, if a knowledge of managerial economics will help him in determining the size and dimensions of the market, the competitive structure of the market and the technique of economics analysis will assist in designing the course of action as well as measuring the effectiveness of the decision arrived at. Economists, in general, are usually asked to comment on, to support or criticise, or to provide solutions for allied economic oriented business problems in various industries, trade and commerce.

Business economics helps the manager to understand the intricacies of the business problems which make the problem-solving easier and quicker, arrive at correct and appropriate decision, improve the quality of such decisions and so on.

In short, business economics or managerial economics essentially implies the application of economics principles and methodologies to the decision making process within the firm under conditions of uncertainty, it seeks to establish rules and principles to facilitate the attainment of the desired economic goals of management. These economic goals relate to costs, revenues and profits, and are important within both the business and non-business institution.

## **Features of managerial economics:**

1. Managerial economics is concerned with decision-making of economic nature. This implies that managerial economics deals with identification of economic choices and allocation of scarce resources.
2. Managerial economics is goal-oriented and prescriptive. It deals with how decisions should be made by managers to achieve the organisational goals.
3. Managerial economics is pragmatic. It is concerned with those analytical tools which are useful in improving decision-making.
4. Managerial economics is both conceptual and metrical. An intelligent application of quantitative techniques to business presupposes considered judgement and hard and careful thinking about the nature of the particular problem to be solved. Managerial economics provides necessary conceptual tools to achieve this. Moreover, it helps the decision-maker by providing measurement of various economic entities and their relationships. This metrical dimension of managerial economics is complementary to its conceptual framework.
5. In a sense, managerial economics provides a link between traditional economics and the decision sciences for managerial decision-making.

### **Human wants and their classification:**

Man is a bundle of desires. His wants are infinite in variety and number. Some wants are natural, for example foods, air, clothing and shelter without which existence of man's life is not possible. Similarly wants vary from individual to individual and they multiply with civilization.

### **Characteristics of Human wants:**

1. Human wants are unlimited: Man's mind is so made that he never completely satisfied and hence there is no end to human wants. One want is satisfied another want will crop up to take its place and thus it is never ending cycle of want.
2. Any particular want is satiable: Though the wants are unlimited, but it is possible to satisfy a particular want, provided has the means (resource).
3. Wants are complementary: It is a common experience that we want things in groups. A single article out of group cannot satisfy human wants by itself. It needs other things to complete its use e.g. a motor-car needs petrol and mobile oil it starts working. Thus the relationship between motor-car and petrol is complementary.

4. Wants are competitive: Some wants competes to other. We all have a limited amount of money at our disposal; therefore we must choose some things and reject the other. E.g. sugar and jaggery, tea and coffee.

5. Some Wants are both complimentary and competitive: When use of machinery is done the use of labour needs to be reduced. This indicates competitive nature. But to run the machinery the labour is also required and as such it indicates complimentary relationship.

6. Wants are alternative: There are several ways of satisfying a particular want. If we feel thirsty, we can have water, lassi in summer while coffee, tea in winter. The final choice depends upon availability of money and the relative prices.

7. Wants vary with time place and person: Wants are not always the same. It varies with individual to individual. People want different things at different times and in different places.

8. Wants vary in Urgency and Intensity: All wants are not equally urgent and intense. Some wants are urgent while some are less urgent.

9. Wants multiply with civilization: With the advancement the wants multiply. Therefore the wants of people living in urban area are more than the villagers. With civilization the demand for radio, T.V, motor-car etc., are increasing.

10. Wants are recur: Some wants are recurring in nature, e.g. food we require again and again.

11. Wants change into habits: If a particular want is regularly satisfied a person becomes used to it and it grows into habit e.g. smoking of cigarette and use of drugs.

12. Wants are influenced by income, salesmanship and advertisement: If income is higher more wants can be satisfied. Many things we buy of particular brands due to salesmanship or advertisement.

13. Wants are the result of custom or convention: As a part of custom and convention we buy many things. Really they are not required but unlikely we have to purchase it e.g. expenses on social ceremonies.

14. Present wants are more important than future wants: Future is uncertain and hence man is more concerned with the satisfaction of the present wants rather than future wants.

### **Classification of Wants:**

The wants can be classified as under.

**Necessaries:** These can be sub divided as

Necessaries of existence: The things without which we cannot exist e.g. water, food, clothing, shelter.

Conventional necessities: The things which we are forced to use by social custom.

**Comforts:** After satisfying our necessities we desire to have some comforts. For example table and chair for a student help to increase the efficiency. But cushioned costly chair is not a comfort.

**Luxuries:** Luxury means superfluous consumption. After getting comforts, man desire luxury. The luxury articles need not required e.g. gold and silver, costly furniture, etc.

### **I. Organised Sector of Money Market :-**

Organised Money Market is not a single market, it consist of number of markets. The most important feature of money market instrument is that it is liquid. It is characterised by highdegree of safety of principal. Following are the instruments which are traded in money market.

#### **a) Call And Notice Money Market:-**

The market for extremely short-period is referred as call money market. Under call money market, funds are transacted on overnight basis. The participants are mostly banks. Therefore it is also called Inter-Bank Money Market. Under notice, money market funds are transacted for 2 days and 14 days period. The lender issues a notice to the borrower 2 to 3 days before the funds are to be paid. On receipt of notice, borrower have to repay the funds.

In this market the rate at which funds are borrowed and lent is called the call money rate. The call money rate is determined by demand and supply of short term funds. In call money market the main participants are commercial banks, co-operative banks and primary dealers. They participate as borrowers and lenders. Discount and Finance House of India (DFHI), Non-banking financial institutions like LIC, GIC, UTI, NABARD etc. are allowed to participate in call money market as lenders.

Call money markets are located in big commercial centres like Mumbai, Kolkata, Chennai, Delhi, etc. Call money market is the indicator of liquidity position of money market. RBI intervenes in call money market as there is close link between the call money market and other segments of money market.

**b. Treasury Bill Market (T – Bills) :-** This market deals in Treasury Bills of short term duration issued by RBI on behalf of Government of India. At present three types of treasury bills are issued through auctions, namely 91 day, 182 day and 364 day

treasury bills. State government does not issue any treasury bills. Interests is determined by market forces. Treasury bills are available for a minimum amount of Rs. 25000 and in multiples of Rs. 25000. Periodic auctions are held for their issue.

T-bills are highly liquid, readily available, there is absence of risk of default. In India T-bills have narrow market and are undeveloped. Commercial Banks, Primary Dealers, Mutual Funds, Corporates, Financial Institutions, Provident or Pension Funds and Insurance Companies can participate in T-bills market.

**c. Commercial Bills:-** Commercial bills are short term, negotiable and self liquidating money market instruments with low risk. A bill of exchange is drawn by seller on the buyer to make payment within a certain period of time. Generally, the maturity period is of three months. Commercial bill can be resold a number of times during the usance period of bill. The commercial bills are purchased and discounted by commercial banks and are rediscounted by financial institutions like EXIM banks, SIDBI, IDBI etc.

In India, the commercial bill market is very much underdeveloped. RBI is trying to develop the bill market in our country. RBI have introduced an innovative instrument known as “derivative Usance Promissory Notes” with a view to eliminate movement of papers and to facilitate multiple rediscounting.

**d. Certificate of Deposits(CDS):-** CDs are issued by Commercial banks and development financial institutions. CDs are unsecured, negotiable promissory notes issued at a discount to the face value. The scheme of CDS was introduced in 1989 by RBI. The main purpose was to enable the commercial banks to raise funds from market. At present, the maturity period of CDS ranges from 3 months to 1 year. They are issued in multiples of Rs. 25 lakhs subject to a minimum size of Rs.1 crore. CDs can be issued at discount to face value. They are freely transferable but only after the lock-in-period of 45 days after the date of issue. In India the size of CDs market is quite small. In 1992, RBI allowed for financial institutions of ICICI, IDBI, IFCI and IRBI to issue CDs with a maturity period of one year to three years.

**e. Commercial Papers (CP) :-** Commercial Papers were introduced in January 1990. The Commercial Papers can be issued by listed company which have working capital of not less than Rs. 5 Crores. They could be issued in multiple of Rs. 25 lakhs. The minimum size of issue being Rs. 1 crore. At present the maturity period of CPs ranges between 7 days to 1 year. CPs are issued at a discount to its face value and redeemed at its face value.

**f. Money Market Mutual Funds (MMMFs) :-** A scheme of MMFs was introduced by RBI in 1992. The goal was to provide an additional short-term avenue to individual investors. In November 1995 RBI made the scheme more flexible. The existing guidelines allow banks, public financial institutions and also private sector institutions to set up MMMFs. The ceiling of Rs. 50 crores on the size of MMMFs stipulated earlier, has been withdrawn. MMMFs are allowed to issue units to corporate enterprises and others on par with other mutual funds. Resources mobilised by MMMFs are now required to be invested in call money, CD, CPs, Commercial Bills arising out of genuine trade transactions, treasury bills and government dated securities having an unexpired maturity upto one year. Since March 7, 2000 MMFs have been brought under the purview of SEBI regulations. At present there are 3 MMFs in operation.

**g. The Repo Market:-** Repo was introduced in December 1992. Repo is a repurchase agreement. It means selling a security under an agreement to repurchase it at a predetermined date and rate. Repo transactions are affected between banks and financial institutions and among bank themselves, RBI also undertake Repo.

In November 1996, RBI introduced Reverse Repo. It means buying a security on a spot basis with a commitment to resell on a forward basis. Reverse Repo transactions are affected with scheduled commercial banks and primary dealers.

In March 2003, to broaden the Repo market, RBI allowed NBFCs, Mutual Funds, Housing Finance and Companies and Insurance Companies to undertake REPO transactions

**h. Discount And Finance House of India (DFHI):-** In 1988, DFHI was set up by RBI. It is jointly owned by RBI, public sector banks and all India financial institutions which have contributed to its paid up capital. It is playing an important role in developing an active secondary market in Money Market instruments. In February 1996, it was accredited as a Primary Dealer (PD). The DFHI deals in treasury bills, commercial bills, CDs, CPs, short term deposits, call money market and government securities.

**II. Unorganised Sector Of Money Market:** The economy on one hand performs through organised sector and on other hand in rural areas there is continuance of unorganised, informal and indigenous sector. The unorganised money market mostly finances short-term financial needs of farmers and small businessmen. The main constituents of unorganised money market are:-

**a. Indigenous Bankers (IBs):-** Indigenous bankers are individuals or private firms who receives deposits and give loans and thereby operate as banks. IBs accept deposits as well as lend money. They mostly operate in urban areas, especially in western and

southern regions of the country. The volume of their credit operations is however not known. Further their lending operations are completely unsupervised and unregulated. Over the years, the significance of IBs has declined due to growing organised banking sector.

**b. Money Lenders (MLs):-** They are those whose primary business is money lending. Money lending in India is very popular both in urban and rural areas. Interest rates are generally high. Large amount of loans are given for unproductive purposes. The operations of money lenders are prompt, informal and flexible. The borrowers are mostly poor farmers, artisans, petty traders and manual workers. Over the years the role of money lenders has declined due to the growing importance of organised banking sector.

### **c. Non-Banking Financial Companies (NBFCs)**

**They consist of:-**

**i. Chit Funds:-** Chit funds are savings institutions . It has regular members who make periodic subscription to the fund. The beneficiary may be selected by drawing of lots. Chit fund is more popular in Kerala and Tamilnadu. RBI has no control over the lending activities of chit funds.

**ii. Nidhis:-**Nidhis operate as a kind of mutual benefit for their members only. The loans are given to members at a reasonable rate of interest. Nidhis operate particularly in South India.

**iii. Loan Or Finance Companies:-** Loan companies are found in all parts of the country. Their total capital consists of borrowings, deposits and owned funds. They give loans to retailers, wholesalers, artisans and self-employed persons. They offer a high rate of interest along with other incentives to attract deposits. They charge high rate of interest varying from 36% to 48% p.a.

iv. **Finance Brokers:-** They are found in all major urban markets specially in cloth, grain and commodity markets. They act as middlemen between lenders and borrowers. They charge commission for their services.

### **ROLE OF MONEY MARKET IN ECONOMY**

Money markets play a key role in banks' liquidity management and the transmission of monetary policy. In normal times, money markets are among the most liquid in the

financial sector. By providing the appropriate instruments and partners for liquidity trading, the money market allows the refinancing of short and medium-term positions and facilitates the mitigation of your business' liquidity risk. The banking system and the money market represent the exclusive setting monetary policy operates in. A developed, active and efficient interbank market enhances the efficiency of central bank's monetary policy, transmitting its impulses into the economy best. Thus, the development of the money market smoothens the progress of financial intermediation and boosts lending to economy, hence improving the country's economic and social welfare. Therefore, the development of the money market is in all stakeholders' interests: the banking system elf, the Central Bank and the economy on the whole.

**CHAPTER NO. 08**

**BUSINESS ADMINISTRATION**

(An Analysis of Business', Administration' , 'Management' and 'Organization'

UNITY ADMIST DIVERSITY is the chief Characteristics features of India's developing economy. Everybody in this country, from Kashmir to Kanyakumari and from Pune to Puri, congratulates the Government of India saying that inspite of regional differences of region, language, caste, colour and creed, there is an excellent emotional integration and most efficient exploitation of natural resources; India has administered well, she has managed well. Indeed, for the scientific and systematic execution of all human activities, whether they may relate to farm or factory, office or secretariat, public enterprises or private enterprises, two essential watch – words are 'Administer Well' and Manage Well.

## **CONCEPTS OF BUSINESS ADMINISTRATION MANAGEMENT AND ORGANIZATION**

Efficient performance of business activities too depends in toto on effective administration scientific management and well nit organization. Here a natural question arises as to what is the concept of i) Business ii) Administration iii) Management and iv) Organization. Well, to have a clear-cut idea of the subject, it shall not be out of place to first probe into the bottom of these terms independently.

What is Business?

Etymologically, the term 'Business' means the State of being busy and is , therefore , identified with anything that one can be busy about. In this broad sense, all human activities which a man performs from morn till evening , e.g. reading, writing playing, consuming , producing , working for a living etc., many be described as business activities.

But business with which we are concerned here, may be defined , according to Prof. Owens, as an enterprise engaged in the production and distribution of goods for sale in a market or the rendering of service for a price. The nature of the business has been beautifully summed by Prof. Haney in the following words: " On the one hand, business rests on the technical processes of trade and manufacture; on the other, it looks to the market. At the junction stands the businessman, either directing the technical process of production or gauging the market, or doing both; but always engaged n buying and selling for the process of gain. "Thus, it refers to an activity which is pursued by a human being for the acquisition of wealth. According to Melvin Anshen, it is the way men make their living. Thus , a publisher is a businessman because he makes his living by publishing and selling books. A village shopkeeper is a businessman because he earns his living by selling different kinds of articles. The owner of a big cotton textile mill is a businessman who earns a lot by producing and selling cotton textile goods. Similarly, a money lender or a banker is a businessman who deals in money for interest and profit. Business, thus is a comprehensive term. To quote F.C . Hooper it means the whole lender complex field of commerce and industry , the basic industries , processing and manufacturing industries and the network of ancillary services, distribution , banking and manufacturing industries and so on, which serve



- retail establishments
- 6) Export and Import Houses
- 7) Stock Exchanges
- 8) Produce Exchanges
- 9) Agency Houses e.g. Brokers, commission, Agents, clearing and forwarding Agents, Advertising Agents etc
- 10) Godowns and warehouses
- 11) Cold Storage and Refrigeration

1.Means of transport and communication

2.Insurance

3. Recreation Clubs ,

4.Boardign and lodging houses

5.Services of vakils Doctots , Engineers, etc

6.Management consultancy

7.Other household and professional services.

1.Analytical

2.Synthetical

3.Processing

4. Assembling

5. Integration

1.Com. Banks

2.Industrial Banks

3.Investment Trusts

4. Unit Trusts

5. Stock Brohers

6. Underwriting and

In the relatively restricted field of commerce and economics, however, 'Business' may be defined as any activity which leads to creation of utilities of goods and services for the satisfaction of human wants in return for a price. Business, thus creates production, distribution and consumption utilities by removing all possible bottlenecks of form, persons, possession, place, time, risk, finance and publicity that may stand against smooth interchange of goods and services. It is generally related to recurring acts of buying, selling, procuring, collecting, improving, manufacturing and distributing goods and services for the satisfaction of human wants and for the personal gain of the businessman. Its efficiency determines the whole nation's standard of living and earns the nation its meaningful living.

In Short, Business is a complex of gainful human activities., the main of which is to create exchange and possess wealth in the form of physical useful services.

### **Meaning of Administration**

That phase of business activity which relates to the overall determination of the major policies and objectives is technically known as what we call Administration. Before starting any business the promoter has to take certain basic decisions. These decision includes such matters as the type of enterprise. whether manufacturing finance, merchandising, mining, transportation and so on.; the particular phase within the type what article is to be produced in for manufacturing. For example, its price range, the method of distribution and the extent of the market in which to complete: geographic location, as well as specific location of the plant; and a multitude of other decisions of which the foregoing are illustrations. These basic decisions once taken are by no means final, because the requirements of a dynamic society must be met by constant adjustment. A-D-M-I-N-I-S-T-R-A-T-I-O-N frames the policies and makes the necessary adjustments.

In business firms, administration refers to the higher policy-determining levels. Administration is concerned with the determination of overall corporate objectives, policies and master strategies. Its origin is found in the bureaucratic structure of Government or some laws. In government circles, Administration is frequently used in the same sense as 'Management' is used in private business. In law also, administrators are appointed to look after the estate of the deceased person. Government business administrators while administering and managing business affairs are to execute the plans and policies formulated by the Government. Similarly, the estate administrators keep intact the property and manage the estate according to some specific mandates of law.

Let us cite a few definitions of 'Administration'.

- 5) Administration is fundamentally the direction of affairs. It is purposive action and to an increasing degree, It is formed rational and deliberate action.... it is overwhelmingly concerned with the choice of ends, ways and means for the attainment of desired results. The three main elements of administration are the formulation of goals, the choice of ways and means and the direction of the people in some group purpose.
- 6) Administration is the total of planning, organizing , coordinating, motivating, controlling and operation work.

Although certain authors consider 'administration' as concerned mainly with decision making and policy formulation. Allen refers to it as comprising all the functions that a manager of an enterprise is expected to perform in realizing the chosen objectives. In short, Administration concentrates the co-ordination of finance, production and distribution. It determines the corporate organization climate and structure and acts as the central controlling authority in the organization.

What is Management.?

Management is the activity for getting things done through other people. For getting the work of an enterprise completed through the efforts of other people. It becomes necessary to guide, direct, coordinate and control human efforts towards the fulfillment of certain common goals or purposes. Management represents that skill which directs, regulates and integrates human efforts in the discharge of all operations required for an enterprise. Popularly speaking management is taken to mean the persons who assume the functions of management; but in reality it is a functional concept and does not include the persons who practice management. Persons assuming management functions are called managers, executives and even administrators in some cases.

Management plays a pivotal role in the operation of business enterprises. A business is comprised of several elements, viz. men, materials, money, machines, methods, markets and management. Of these seven M's management stands at business operation. It is sandwiched in between administration on the one end and organization on the other. Administration determines the goal and management strives towards it. Organization is the machine of management in its achievement of the ends determined by administration. The relation between management and organization can be better indicated by drawing one analogy with the human body. Management represents the entire body, while planning is the brain, organization constitutes its nervous system, direction makes up its respiratory organs, and control stands for the human mind. Management is a functional concept and covers a comprehensive and all-pervading field. It links and puts together many things and many human facilities into one complete whole and creates an organization with allocation of authority, responsibility and accountability by exerting the leadership and control over one cohesive whole.

In short, 'Management' may be regarded as the sum total of those activities which pertain to the laying down of certain plans, policies and purposes, securing men, money, materials, and machinery needed their achievement, putting all of them into operation; checking their performance, and providing material rewards and mental satisfaction to the men engaged in the operation.

What is organization?

Oliver Sheldon defined Organization as the process of combining the work which individuals and groups have to perform with the facilities necessary for its execution that the duties so formed provide the best channels for efficient, systematic, positive and co-ordinate application of the available effort. C.H. Northcott has applied the term organization to "arrangements by which tasks are assigned to men and women so that their individual efforts contribute effectively to some more or less clearly defined purpose for which they have been brought together. According to the Advisory Committee on Management of the International Labour office (1937) it means the complex of activities the object of which is to achieve the optimum co-ordination of the functions of any undertaking or any administration or other service public or private.

In conclusion it may be observed that Administration and Management are the driving force of Business, which with the aid of organization try to achieve the goal of greater, better and cheaper production.

if we accept the above views, the distinction between Administration and Management stands as follows:

Basic of Distinction	Administration	Management
Policy making	Administration is concerned with policy making , it determines the goals or the targets to be achieved	management is concerned with the implementation of the polic, it is not directly concerned with goal or target fixation.
Implementation of policies	Administration is not directly concerned with the implementation of policies	Implementation of policies framed by administration is the main task of management.
Determinative vs executive functions	Its functions are legislative and largely determinative	Its functions are executive and largely governing.
Direction of human efforts	It is not actively concerned with the direction of human efforts in the execution of the plan or policy	It is mainly concerned with the direction of human efforts in the execution of the plan and policy.
Main functions	Planning and organizing functions are involved in it.	Motivating and controlling functions are involved in it.
Managerial level	It relates to apex or top level management . Personnel of the top level like the owners of the Board of Directors are in charge of it.	It relates to middle and lower level management. Personnel below the top level like General Manager or Managing Director are in charge of it.
Menboss relation	Administration if the master of industry, which provides the various agents of production and in lieu of the this service earns profit.	management is the servant of administration it gets salary or a part of the profit in lieu of the its services

Coordination & control	Administration coordinates finance, production and distribution; it frames the organizational structure and exercises control over the enterprise.	It uses organizations for the achievement of the targets fixed by administration.
Administrative technical ability	it needs administrative rather than technical ability	management requires technical ability more than administrative ability.
Expansion of functions	Its functions expand at the upper level and decrease in importance at the lower levels.	Its functions contract at the upper level and expand at the lower levels.
Govt. vs private sector	The term administration is used mostly in Government or public sector.	Management is mostly used in private sector.
Illustrations	The following are designated as Administrators ; collector commissioner, vice chancellor Registrar , Minister , Income tax and sales tax officer, chief justice etc.	The following are usually designated as Managers. General manager of any company , managing director of a company director of personnel administration department etc.
Static vs dynamic	Administrator in this sphere is finite and static and is concerned with just maintaining and not improving . it is not productive in character.	Management is dynamic and in finite and is specially concerned with giving added values to the inputs. It endeavours to improve the value of the resources entrusted to it and as such, is productive in character.

**The term management and organization may be differential as below.**

Management ex an executive function which is primarily concerned with the getting things done with others.	Organization is the organic function of putting together the different parts of an enterprise into working order.
Planning , organizing , staffing, motivation, direction and coordination and control are all functions of management.	Organization is one of the important functions of management.
Management functions are executed by bringing into being an organization.	Organisation is the framework or edifice of Management.
It is like the entire body of a human being.	It is like the nervous system of human body.
There are different levels in management vix. top management , middle management etc	There is no such level in the organization.
Management uses the organization determined by the administration.	Organization is the machine of management in its achievement of the ends determined by the administration.