



NATIONAL INSTITUTE OF TECHNOLOGY SRINAGAR
DEPARTMENT OF HUMANITIES & SOCIAL SCIENCES

SUBJECT: INDUSTRIAL ECONOMICS AND MANGEMENT

SEMESTER: 7TH ELECTRICAL

The purpose of the following notes is to give the overview of the chapters of the concerned subject. The students are required to go through the notes and consult the books suggested in the syllabus for better understanding of the topics. Further, the students are required to submit an assignment (5000 words approx) carrying 20 marks, on the topic provided at the end of every chapter within fifteen days. The students are directed to mail the assignment on the below mentioned email address:

mailto:hssnit@gmail.com

For any query contact:

9596103912, 9596039607, 9622714866

CHAPTER 1: INSUSTRIAL ECONOMICS

Industry

An economic activity concerned with the processing of raw materials and manufacture of goods in factories. *Industry* comes from the Latin word *industria*, which means "diligence, hard work,"

Industry is a group of manufacturers or businesses that produce a particular kind of goods or services. *It* is the production of goods or related services within an economy. An *industry* is a group of firms that offer a product or class of products that are close substitutes for one another.

Industrialization

It is the process by which an economy is transformed from primarily agricultural to one based on the manufacturing of goods. Individual manual labor is often replaced by mechanized mass

production, and craftsmen are replaced by assembly lines.

Evolution of industry

It is dated with the evolution of human beings. It is as old as human civilization. It was developed through various stages.

A. Hunting stage

In ancient times people lived in caves and fulfilled their basic needs of food and clothes through hunting the wild animals in forest. They were not civilized and hovered here and there. Their needs were also limited.

B. Pastoral stage

The stage of further development of human from barbarism is called pastoral stage. This stage is basically called the age of keeping animals. Animals were used for milk, meat, wool, skin and so on beyond food and clothes. The wants went on increasing and development also started.

C. Agriculture stage

Slowly, human beings became a little bit civilized and got idea about farming and keeping cattle. This stage was the major stage of development of industry. In this stage people started to do agriculture and live in river banks. They started to cultivate crops and domesticate the animals. Development of agriculture is divided into 5 stages:

I. Handicraft stage

It is the beginning of industrial era. It is the stage of development of industry. Simple hands made tools were also developed. Local resources were the major source of raw materials. In the beginning of this stage people were only limited to their own needs but later own surplus products were used to exchange the goods with the goods basically called barter system. Products were exchanged with product and market was starting to develop. Capital invested was minimized.

II. Guild stage

It was the beginning of organized activities. Organized groups of traders, craftsmen, artisans used to collect various resources from the local areas and produced goods using them.

III. Age of domestic system

After the stage of guild the age of domestic system was initiated. Crafts men were not able to fulfill the unlimited and increasing wants of people by using the limited resource. So, use of hands and tools for producing quality goods was introduced. People were employed and were paid

according to the units of goods produced. However salary was very low because the value of money was much higher at that time.

IV. Industrial revolution

It began with the replacement of old system. It is the turning point of modern industrialization. Domestic system of production was replaced by large scale factory system. There was invention, innovation .development of scientific techniques which encouraged mass production and distribution. There were numerous job opportunities. Salary was increased and quality was maintained.

V. Present age:

Today's modern era with industrialization, use of technology, computerization, modernization robotizing is the most developed stage of industries. Goods are being produced meeting the demand of large number of people. There are huge number of industries producing large number of goods to meet large amount of needs and wants by providing many jobs and salaries.

Types of Industries

According to the process of production and the nature of the products, an industry can be divided into the following categories.

Primary Industry

Primary industries refers to the creation of utilities by extracting materials form natural resources or the growth and development of vegetation and animals by means of reproduction process, Primary industries are further classified as extractive and genetic industries.

- **Extractive-Industry**
It refers to the extraction or drawing out goods from the natural resources like land, water, air etc. and creation of utilities in them. It supplies raw materials to other types of industries. Mining, lumbering, hunting, fishing etc. are the examples of this sort of industry.
- **Genetic-Industry**
It is related to the growth and development of flora and fauna by multiplying a certain species of plants and breeding of animals. Plant nurseries, forestry, farming, animal husbandry, poultry etc. are the examples of genetic industry.

Secondary Industry

The industries, which produce finished goods by the use of materials and supplies taken from the primary industries are known as secondary industries. Such industries convert raw materials and

semi raw materials into finished products by way of processing the materials, assembling components, constructing building products etc.

According to the process applied and the nature of the product, these industries are divided into the following two types.

- Manufacturing-industry.

Generally the term industry refers to the manufacturing industry. It is concerned to the production of goods by using raw materials or semi raw materials an input and also creates from utility in them. Production of sugar from sugarcane, petroleum products from the crude oil manufacturing vehicles by assembling various components etc. are some of the examples of this sort of industry. It is again divided into four types.

- Analytical-industry
This industry relates to the analyzing and separating different components from a single materials. For example, crude oil processed and separated into petrol, diesel, kerosene etc.
- Synthetic-industry
This industry relates to the putting of various raw materials together to make a final product. For examples, cement is produced by mixing concrete, gypsum, coal etc. together.
- Processing-industry
An industry, which produces the final products by using raw materials and semi raw materials through different stages of production is known as processing industry. Textile industry, paper and sugar mills etc are some of the examples of this sort of industry.
- Assembling-industry
It refers to that industry which assembles various component parts that are already manufactured to make a new product. Manufacturing vehicles, electric equipment etc. are some of the examples of this type of industry.
- Construction-industry
The industries, which are concerned to the engineering, erecting and construction of building products are known as construction industries. They use materials produced by other industries like cement, iron rods, concrete, bricks etc. Their distinctive characteristic is that the products of such industries are not generally sold in the ordinary market but built at a certain place and transferred its ownership or it is constructed as the order of the customer at said site/place.

Construction of bridges, roads, dams, canals, building etc are the examples of construction industry.

Service Industry

Service industries are those industries, which do not produce physical goods but create utility services and sell them for a price. Nursing home services, film industries, traveling and lodging services etc. are the examples of service industries.

Industries can also be identified by product, such as: construction industry, chemical industry, petroleum industry, automotive industry, electronic industry, meatpacking industry, hospitality industry, food industry, fish industry, software industry, paper industry, entertainment industry, semiconductor industry, cultural industry, and poverty industry.

Advantages of Industries

1. Industries help in generating the employment opportunities for the people and in majority of the nations after agriculture it employs the highest number of people and therefore it can be said to be livelihood of many families.
2. It is due to presence of many industries that we get to use array of products like television, cloths, automobiles, furniture etc..., which helps in making our life easier and improves the general standard of living.
3. A prospering industrial environment is good for the country because government get income in the form of taxes from the industries, which in turn is used by the government for the well being of the people.
4. It makes the country independent because once country start producing goods with the help of industrialization it does not have to depend on other countries for its demand and it can save its money by reducing the imports and it can even export its produce leading to foreign exchange income which in turn makes the country more prosperous.

Definition, Meaning & Characteristic of Organisation

Meaning of Organisation:

Organisation is the foundation upon which the whole structure of management is built. Organisation is related with developing a frame work where the total work is divided into manageable components in order to facilitate the achievement of objectives or goals. Thus, organisation is the structure or mechanism (machinery) that enables living things to work together. In a static sense, an organisation is a structure or machinery manned by group of individuals who are working together towards a common goal.

Alike 'management', the term 'organisation' has also been used in a number of ways. broadly speaking, the term 'organisation' is used in four different senses: as a process, as a structure of relationship, as a group of persons and as a system, as given below:

Organisation as a Process: In this first sense, organisation is treated as a dynamic process and a managerial activity which is essential for planning the utilization of company's resources, plant an equipment materials, money and people to accomplish the various objectives.

Organisation as a Framework of Relationship: In the second sense organisation refers to the structure of relationships and among position jobs which is created to release certain objectives. The definitions of Henry, Urwick, Farland, Northcourt, Lansburgh and Spriegel Breach, Davis, Mooney and Reily etc., come under this group. For example: According to Mooney and Reily, "Organisation is the form of every human association for the attainment of a common purpose."

Organisation as a Group of persons: In the third sense, organisation is very often viewed as a group of persons contributing their efforts towards certain goals. Organisation begins when people combine their efforts for some common purpose. It is a universal truth that an individual is unable ability and resources. Barnard has defined 'Organisation' as an identifiable group of people contributing their efforts towards the attainment of goals.

Organisation as a System: In the fourth sense, the organisation is viewed as system. System concepts recognize that organizations are made up of components each of which has unique properties, capabilities and mutual relationship. The constituent element of a system are linked together in such complex ways that actions taken by one producer have far reaching effect on others.

In short, organizing is the determining, grouping and arranging of the various activities deemed necessary for the attainment of the objectives, the assigning of people to those activities, the providing of suitable physical factors of environment and the indicating of the relative authority delegated to each individual charged with the execution of each respective activity.

Definitions of Organisation

Different authors have defined organisation in different ways. The main definitions of organisation are as follows:

- According to Keith Davis, "Organisation may be defined as a group of individuals, large or small, that is cooperating under the direction of executive leadership in accomplishment of certain common objects."
- According to Chester I. Barnard, "Organisation is a system of co-operative activities of two or more persons."

Characteristics / Features of Organisation

The main characteristics or Features of organisation are as follows:

Outlining the Objectives: Born with the enterprise are its long-life objectives of profitable manufacturing and selling its products. Other objectives must be established by the administration from time to time to aid and support this main objective.

Identifying and Enumerating the Activities: After the objective is selected, the management has to identify total task involved and its break-up closely related component activities that are to be performed by and individual or division or a department.

Assigning the Duties: When activities have been grouped according to similarities and common purposes, they should be organized by a particular department. Within the department, the functional duties should be allotted to particular individuals.

Defining and Granting the Authority: The authority and responsibility should be well defined and should correspond to each other. A close relationship between authority and responsibility should be established.

Creating Authority Relationship: After assigning the duties and delegations of authority, the establishment of relationship is done. It involves deciding who will act under whom, who will be

his subordinates, what will be his span of control and what will be his status in the organisation. Besides these formal relationships, some informal organizations should also be developed.

Importance / Need / Advantages / Significance of Organisation: The well-known industrialist of U.S.A. late Andrew Carnegie, when sold his famous 'United State Steel Corporation', showed his confidence in organisation by uttering the following words, "Take away our factories, take away our trade, our avenues of transportation, our money, leave nothing but our organisation, and in four years, we shall re-established ourselves." Since ages and in every walk of life, organisation has been playing a vital role. The significance or main advantages of organisation are as follows:

It Help in the Growth of Enterprise: Good organisation is helpful to the growth, expansion and diversifications of the enterprise.

It Ensures Optimum Use of Human Resources: Good organisation establishes persons with different interests, skills, knowledge and viewpoints.

It Stimulates Creativity: A sound and well-conceived organisation structure is the source of creative thinking and initiation of new ideas.

A Tool of Achieving Objectives: Organisation is a vital tool in the hands of the management for achieving set objectives of the business enterprise.

Prevents Corruption: Usually corruption exists in those enterprises which lack sound organisation. Sound organization prevents corruption by raising the morale of employees. They are motivated to work with greater efficiency, honesty and devotion.

Co-ordination in the Enterprises: Different jobs and positions are welded together by structural relationship of the organisation. The organizational process exerts its due and balanced emphasis on the co-ordination of various activities.

Eliminates Overlapping and Duplication or work: Over lapping and duplication of work exists when the work distribution is not clearly identified and the work is performed in a haphazard and disorganized way. Since a good organisation demands that the duties be clearly assigned amongst workers, such overlapping and duplication is totally eliminated.

Principles of Organisation:

There is no unanimity as to number of principles of organisation amongst the leading authors on the subject. L.K. Urwick, in his paper 'Scientific Principles of Organisation' (1938) and 'Notes on the Theory of Organisation' (1952) prescribed ten principles of organisation. Thereafter, many other writers on the subject have added a few more principles of organisation. The main principles of organisation are as follows:

The Principle of Objective

Every enterprise, big or small, prescribes certain basic objectives. Organisation serves as a tool in attaining these prescribed objectives. Every part of the organisation and the organisation as a whole should be geared to the basic objective determined by the enterprise.

Principle of Specialization

Precise division of work facilitates specialization. According to this principles division of work between the employees must be based on their ability, capability, tasks, knowledge and interest. This will ensure specialization and specialization will lead to efficiency, quality and elimination of wastage etc.

The Scalar Principle

The principle is sometimes known as the 'chain command'. There must be clear lines of authority running from the top to the bottom of the organisation.

The Principle of Authority

Authority is the element of organisation structure. It is the tool by which a manager is able to create an environment for individual performance.

The Principle of Unity of Command

One subordinate should be kept in the supervision of one boss only. This principle avoids the possibility of conflicts in instructions and develops the feeling of personnel responsibility for the work.

The Principal Span of Control

It is also known as 'span of management', 'span of supervision' or 'levels of organisation', etc.

The Principle of Definition

The contents of every position should be clearly defined. The duties, responsibilities, authorities and organizational relationship of an individual working on a particular position should be well defined.

The Principle of the Unity of Direction

The basic rationale for the very existence of organisation is the attainment of certain objectives. Major objective should be split into functional activities and there should be one objective and one plan for each group of people.

The Principle of Supremacy of Organisation Objectives

The organisation goals and objectives should be given wide publicity within the organisation. The people contributing to it, should be made to understand that enterprise objectives are more valuable and significant and one should place one's personal motives under it.

The Principle of Balance

In every organisation structure there is need for balance. For effective grouping and assigning activities, this principle calls for putting balance on all types of factors human, technical as well as financial.

The Principle of Human Element

This principle indicates that the success or failure of an enterprise largely depends on the handling of human element. If the organisation has sound labor policies along with a number of welfare activities it is bound to succeed.

The Principle of Discipline

According to his principle, it is the responsibility of the management to maintain proper discipline in the enterprise. Fayol considered discipline as 'respect for agreements which are directed at achieving obedience, application, energy and outward mark of respect.'

Types of the Organization

1. Formal organization –

- a. The establishment and the development of this type of the organization are very formal in the nature.
- b. Helps in providing a shape to the various organized activities.
- c. The Formal organization is developed for a continuous purpose mainly involving the activities that are repetitive in the nature.
- d. This organization looks after the growth and the stability in the business.
- e. In the Formal organization, the design is such that that it acts as a great support for the distribution of the authority, creation of the positions, linkage of the various functions etc.
- f. The Formal organization is not at all born by itself.
- g. Efforts of someone to get the organization established in the order to make it a juridical person are involved in the Formal organization.
- h. The Formal organization is registered with some type of the legal provision in the acts as those meant for the shop establishment, the companies, the cooperatives, the trusts, the societies etc, to provide it the legal existence in its own name.

2. Informal organization –

- a. Here, the people come together informally through their acquaintance.
- b. Informal relations are created within the same organization which may not be formally planned.
- c. The Informal organization is born of itself.
- d. Whenever there is a formal organization, an informal organization is born.
- e. The Informal organization comes up with the help of the social relations such as the trust, the dependence, the liking etc.
- f. The position and the problems in the formal structure are given great weight age informally.
- g. A different communication channel is created by the informal organization and this is referred to as the grape vine.
- h. With the help of the informal communication, the situation in the organization can be sensed in a different way all together.
- i. The gossip can be conveyed with the help of the informal communication.

3. Matrix organization –

- a. According to the principle of the unity of the command, one person should take the order from only one person.
- b. Plurality of the persons giving the orders should not be present.

4. The project organization –

- a. One goes for the project with the establishment of the temporary organization with a fixed end in mind.
- b. Anything that has a beginning and an end, is referred to as the project organization.
- c. The main responsibility of this type of the organization is to handle the complete project in a especial managerial way as the project is not going to be a continuous process at anytime.
- d. The specialized, skilled people are required at the different stages and also, in this type of the organization, the replacement of the specialized people can be done depending on the different types of the situations that may arise during the project.

5. Virtual organization –

a. This type of the organization, does not look like to be physically operating but very well works like the one, due to the modern communication equipment which may include the following functions –

- I. Digital mail
- II. Voice communication
- III. Cameras
- IV. Projection systems
- V. Audio and video conferencing

1. Wealth Definition Of Economics (Adam Smith)

The earliest definitions of economics were in terms of wealth. In 1776, Adam Smith, the father of economics and leader of classical economist published his epoch-making book " An enquiry into the Nature and Causes of Wealth of Nations", popularly known as wealth of nations. It is obvious that Adam Smith considered his work to be an enquiry into the nature and causes of wealth of nations. In other words, he treated economics as a science of wealth. His followers like J.B Say, J.S Mill and F.A Walker supported him. *J.S Mill defined economics as- " The practical science of the production and distribution of wealth". J.B Say called economics- " The science which treats of wealth". Walker defined it as- " That body of knowledge which relates to wealth".*

Adam Smith was concerned with the broader aspects of wealth, the means by which the total volume of production could be increased. This has been a recent aim of economic policy. J.S Mill's definition is wider in the sense that he included problems of both production and distribution. These two factors influence the standard of living of people.

Adam Smith and his followers treated economics as a science of wealth. The term wealth was interpreted in a very normal sense to mean abundance money. It implies that the economists are expected to suggest ways and means of increasing the wealth of a country.

2. Welfare Definition Of Economics (A. Marshall)

Alfred Marshall, a neo-classical economist, is the leader of welfare definition of economics. A.C Pigou and Edwin Cannan supported his view, The emphasis shifted from wealth to material welfare. It is because wealth is only a means to and end, end being human welfare. *As opined by Marshall- " Economics is, on one side, a study of wealth; and on the other and more important side, a part of the study of man".*

Marshall defined economics in these words- *" Economics is a study of mankind in the ordinary business of life; it explains that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being".*

3. Scarcity Definition Of Economics (L. Robbins)

Lionel Robbins gave his own definition of economics in his book " Nature and Significance of Economics" published in 1932. His definition was supported by a long line of economists like Samuelson, Oskar Lange, Stigler, A,p Lerner, Cairncross and so on.

According to **Robbins** -" *Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses*".

Supporting Robbins, **Oskar Lange** defined economics as" *The science of administration of scarce resources in human society*".

SCOPE OF ECONOMICS The horizon of economics is gradually expanding. It is no more a branch of knowledge that deals only with the production and consumption. However, the basic thrust still remains on using the available resources efficiently while giving the maximum satisfaction or welfare to the people on a sustainable basis. Given this, we can list some of the major branches of economics as under: **1. Microeconomics:** This is considered to be the basic economics. Microeconomics may be defined as that branch of economic analysis which studies the economic behavior of the individual unit, may be a person, a particular household, or a particular firm. It is a study of one particular unit rather than all the units combined together. The microeconomics is also described as price and value theory, the theory of the household, the firm and the industry. Most production and welfare theories are of the microeconomics variety.

2. Macroeconomics: Macroeconomics may be defined as that branch of economic analysis which studies behaviour of not one particular unit, but of all the units combined together. Macroeconomics is a study in aggregates. Hence it is often called Aggregative Economics. It is, indeed, a realistic method of economic analysis, though it is complicated and involves the use of higher mathematics. In this method, we study how the equilibrium in the economy is reached consequent upon changes in the macro-variables and aggregates. The publication of Keynes' General Theory, in 1936, gave a strong impetus to the growth and development of modern macroeconomics.

3. International economics: As the countries of the modern world are realising the significance of trade with other countries, the role of international economics is getting more and more significant nowadays.

4. **Development economics:** As after the second world war many countries got freedom from the colonial rule, their economics required different treatment for growth and development. This branch developed as development economics.

5. **Health economics:** A new realisation has emerged from human development for economic growth. Therefore, branches like health economics are gaining momentum. Similarly, educational economics is also coming up.

Basic constituents of economics

Microeconomics studies the small picture -- the behavior of individuals and companies and the market for each type of product. For example, microeconomists study the influence of supply and demand on the price of shoes. Although "micro" is a prefix meaning "small," the worldwide market for a particular product, such as wheat, is also of interest to microeconomists. Microeconomics is based on the assumptions of Adam Smith, an 18th-century philosopher who is widely considered to be the father of economics, wherein market conditions -- supply, demand, production and selling -- are in equilibrium, and, if perturbed, quickly return to equilibrium. Everyday concerns, such as price supports, taxes and minimum wages, are part of microeconomics, according to G. Chris Rodrigo of the International Monetary Fund.

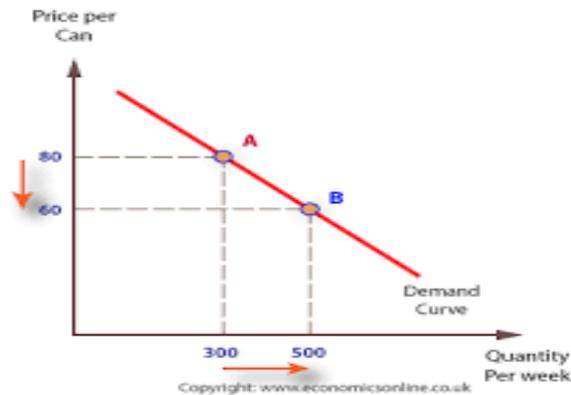
Macroeconomics studies the function of the economy of a nation as a whole. Its domain includes how government policies and the markets for various products affect inflation, employment and economic growth. However, the macro side also extends beyond national borders because international trade and investment impact the economies of many nations. Important areas of study in macroeconomics include short- and long-term trends. Macroeconomics originated with John Maynard Keynes in his attempts to explain the "market failure" that characterized the Great Depression, according to Rodrigo

Assignment Topic: Role of industries in the development of Indian economy

CHAPTER 2: CONSUMPTION AND MARKET STRUCTURE

Law Of Demand

The law of demand is a microeconomic law that states, all other factors being equal, as the price of a good or service increases, consumer demand for the good or service will decrease, and vice versa. The law of demand says that the higher the price, the lower the quantity demanded, because consumers' opportunity cost to acquire that good or service increases, and they must make more tradeoffs to acquire the more expensive product.



Exceptions to the law of demand

Generally the amount demanded of a good increases with a decrease in price of the good and vice versa. In some cases, however, this may not be true. There are certain goods which do not follow this law. These include Veblen goods and Giffen goods. Further exception and details are given in the sections below.

Giffen Goods

Initially proposed by Sir Robert Giffen, economists disagree on the existence of Giffen goods in the market. A Giffen good describes an inferior good that as the price increases, demand for the product increases. As an example, during the Irish Potato Famine of the 19th century, potatoes were considered a Giffen good. Potatoes were the largest staple in the Irish diet, so as the price rose it had a large impact on income. People responded by cutting out on luxury goods such as meat and vegetables, and instead bought more potatoes. Therefore, as the price of potatoes increased, so did the quantity demanded.

Expectation of change in the price of commodity

If an increase in the price of a commodity causes households to expect the price of a commodity to increase further, they may start purchasing a greater amount of the commodity even at the presently increased price. Similarly, if the household expects the price of the commodity to decrease, it may postpone its purchases. Thus, some argue that the law of demand is violated in such cases. In this case, the demand curve does not slope down from left to right; instead it

presents a backward slope from the top right to down left. This curve is known as an exceptional demand curve.

Basic or Necessary Goods

The goods which people need no matter how high the price is are basic or necessary goods. Medicines covered by insurance are a good example. An increase or decrease in the price of such a good does not affect its quantity demanded. These goods have a perfectly inelastic relationship, in that any change in price does not change the quantity demanded.

Elasticity of Demand

Elasticity of Demand refers to how sensitive the demand for a good is to changes in other economic variables, such as the prices and consumer income. Demand elasticity is calculated by taking the percent change in quantity of a good demanded and dividing it by a percent change in another economic variable. A higher demand elasticity for a particular economic variable means that consumers are more responsive to changes in this variable, such as price or income.

Types of Demand Elasticity

Price elasticity of demand

The price elasticity of demand is the proportional change in the quantity demanded, relative to the proportional change in the price of the good.

Price elasticity of demand = Percentage change in quantity demanded / percentage change in price = $\Delta Q/Q / \Delta P/P$

Types of Price Elasticity of Demand

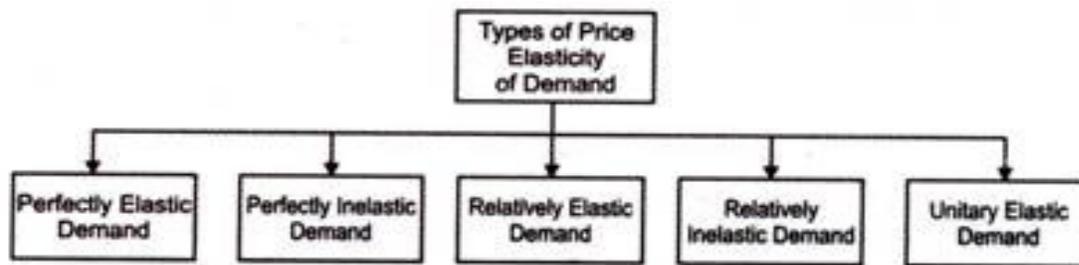


Figure-1: Different Types of Price Elasticity of Demand

Perfectly Elastic Demand:

When a small change in price of a product causes a major change in its demand, it is said to be perfectly elastic demand. In perfectly elastic demand, a small rise in price results in fall in demand to zero, while a small fall in price causes increase in demand to infinity. In such a case, the demand is perfectly elastic or $e_p = 0$.

The degree of elasticity of demand helps in defining the shape and slope of a demand curve. Therefore, the elasticity of demand can be determined by the slope of the demand curve. Flatter the slope of the demand curve, higher the elasticity of demand.

2. Perfectly Inelastic Demand:

A perfectly inelastic demand is one when there is no change produced in the demand of a product with change in its price. The numerical value for perfectly inelastic demand is zero ($e_p=0$).

Inelastic demand, demand curve is represented as a straight vertical line.

3. Relatively Elastic Demand:

Relatively elastic demand refers to the demand when the proportionate change produced in demand is greater than the proportionate change in price of a product. The numerical value of relatively elastic demand ranges between one to infinity. Mathematically, relatively elastic demand is known as more than unit elastic demand ($e_p > 1$).

4. Relatively Inelastic Demand:

Relatively inelastic demand is one when the percentage change produced in demand is less than the percentage change in the price of a product. For example, if the price of a product increases by 30% and the demand for the product decreases only by 10%, then the demand would be called relatively inelastic. The numerical value of relatively elastic demand ranges between zero to one ($e_p < 1$).

5. Unitary Elastic Demand:

When the proportionate change in demand produces the same change in the price of the product, the demand is referred as unitary elastic demand. The numerical value for unitary elastic demand is equal to one ($e_p=1$).

Numerical Value	Type of Price Elasticity	Description
$e_p = -\infty$	Perfectly elastic demand	There is a greater change in demand in response to percentage or smaller change in the price. For example, the demand for a product decreases or completely stops, with a little change in its price and vice versa.
$e_p = 0$	Perfectly inelastic demand	Consumers do not respond to the demand for a product with increase or decreases in its price. This implies that the demand remains the same with change in the price.
$e_p > 1$	Relatively elastic demand	The percentage change in the quantity demanded of a product is greater than percentage change in its price. In such a case, consumers generally switch to new brands when the price of a particular brand increases. However, some consumers are loyal to the same brand.
$e_p < 1$	Relatively inelastic demand	The change in the demand of a product is less than that of change in its price.
$e_p = 1$	Unitary elastic demand	The change in the demand and change in the price of a product is same.

Cross elasticity of demand

The cross elasticity of demand is the proportional change in the quantity demanded, relative to the proportional change in the price of another good.

Cross elasticity of demand = Percentage change in quantity demanded / percentage change in price of another good = $\Delta Q_1/Q_1 / \Delta P_2/P_2$

If the two goods are substitutes, the cross elasticity of demand is positive. If the two goods are complements, the cross elasticity of demand is negative.

Income elasticity of demand

The income elasticity of demand is the proportional change in the quantity demanded, relative to the proportional change in the income.

Income elasticity of demand = Percentage change in quantity demanded / percentage change in the income = $\Delta Q/Q / \Delta I/I$

Consumer Surplus

Consumer surplus is an economic measure of consumer benefit, which is calculated by analyzing the difference between what consumers are willing and able to pay for a good or service relative to its market price, or what they actually do spend on the good or service.

A consumer surplus occurs when the consumer is willing to pay more for a given product than the current market price. Consumer surplus is based on the economic theory of marginal utility, which states the price an individual is willing to spend on a particular good or service reflects the amount of utility he receives from that good or service. The utility a good or service provides varies from individual to individual based on his own personal preference.

Assignment Topic: Demand Forecasting Techniques

What is Consumer Surplus?

Consumer surplus is a measure of the economic welfare that people gain from purchasing and then consuming goods and services

- **Consumer surplus** is the difference between the total amount that consumers are willing and able to pay for a good or service (shown by the demand curve) and the total amount that they actually do pay (i.e. the market price).
- Consumer surplus is indicated by the area **under the demand curve and above the market price.**

The graph shows a downward-sloping demand curve on a coordinate system where the vertical axis is Price and the horizontal axis is Quantity. Point B is the y-intercept of the demand curve. Point A is a price level below B. A horizontal dashed red line from A meets the demand curve at point C. A vertical dashed red line from C meets the x-axis at point Q1. The triangular area above the price level A and below the demand curve is shaded orange and labeled 'Consumer surplus = area ABC'.

Surplus is based on the consumer's individual perception. Since the surplus is the difference of what the consumer is willing to pay versus what the consumer actually pays, we have to

understand what determines this difference. In economics, we say that this difference is determined by the value placed on the product, good or service. The value could be associated with the enjoyment, happiness, longevity, endurance, security and/or satisfaction produced by purchasing the item. For example, my willingness to pay over the actual price for a leather jacket is based on the value of longevity, endurance and enjoyment.

Consumer Surplus Formula

- Consumer Surplus = willingness to pay - actual price

Let us take the toy car scenario and plug in these numbers into the formula:

- Actual price of product = Rs10.
- Ali is willing to pay \$15 for the product.
- Ali's surplus is \$5.

Utility

Utility simply means the satisfaction that a consumer experiences from a product or service. Utility is an important factor in decision-making and product choice, but it presents a problem for economists trying to incorporate it into microeconomics models. Utility varies among consumers for the same product, and it can be influenced by other factors, such as price and the availability of alternatives. It is a measure of preferences over some set of goods (including services: something that satisfies human wants); it represents satisfaction experienced by the consumer of a good.

Measurement of Utility: Cardinal Utility and Ordinal Utility

Cardinal Utility Concept

The neo-classical economists propounded the theory of consumption (consumer behavior theory) on the assumption that utility is cardinal. For measuring utility, a term 'util' is coined which means units of utility.

Following are the assumptions of the cardinal utility concept that were followed by economists while measuring utility:

- a. One util equals one unit of money
- b. Utility of money remains constant

However, over a passage of time, it has been felt by economists that the exact or absolute measurement of utility is not possible. There are a number of difficulties involved in the measurement of utility. This is because of the fact that the utility derived by a consumer from a good depends on various factors, such as changes in consumer's moods, tastes, and preferences.

These factors are not possible to determine and measure. Therefore, no such technique has been devised by economists to measure utility. Utility; thus, is not measureable in cardinal terms. However, the cardinal utility concept has a prime importance in consumer behavior analysis.

2. Ordinal Utility Concept:

Cardinal utility approach is based on the fact that the exact or absolute measurement of utility is not possible. However, modern economists rejected the cardinal utility approach and introduced the concept of ordinal utility for the analysis of consumer behavior. According to them, it may not be possible to measure exact utility, but it can be expressed in terms of less or more useful good. For instance, a consumer consumes coconut oil and mustard oil. In such a case, the consumer cannot say that coconut oil gives 10 utils and mustard oil gives 20 utils. Instead he/she can say that mustard oil gives more utility to him/her than coconut oil. In such a case, mustard oil would be given rank 1 and coconut oil would be given rank 2 by the consumer. This assumption lays the foundation for the ordinal theory of consumer behavior. Modern economists, advocated that the ordinal utility concept plays a significant role in consumer behavior analysis. It also believed that the concept of ordinal utility meets the theoretical requirements of consumer behavior analysis even when there is no cardinal measure of utility is available. It uses rankings instead of values. The benefit is that the subjective differences between products and between consumers are eliminated and all that remains are the ranked preferences.

Market Structure

Market structure refers to the nature and degree of competition in the market for goods and services. The structures of market both for goods market and service (factor) market are determined by the nature of competition prevailing in a particular market.

Types of Market Structure:

On the basis of competition, a market can be classified in the following ways:

1. Perfect Competition

2. Monopoly

3. Duopoly

4. Oligopoly

5. Monopolistic Competition

1. Perfect Competition Market:

A perfectly competitive market is one in which the number of buyers and sellers is very large, all engaged in buying and selling a homogeneous product without any artificial restrictions and possessing perfect knowledge of market at a time. Perfect competition is a market structure in which all firms in an industry are price-takers and in which there is freedom of entry into, and exit from, industry.

2. Monopoly Market:

Monopoly is a market situation in which there is only one seller of a product with barriers to entry of others. The product has no close substitutes. The cross elasticity of demand with every other product is very low. This means that no other firms produce a similar product. Monopoly is the form of market organization in which there is a single firm selling a commodity for which there are no close substitutes.

3. Duopoly:

Duopoly is a special case of the theory of oligopoly in which there are only two sellers. Both the sellers are completely independent and no agreement exists between them. Even though they are independent, a change in the price and output of one will affect the other, and may set a chain of reactions. A seller may, however, assume that his rival is unaffected by what he does, in that case he takes only his own direct influence on the price.

4. Oligopoly:

Oligopoly is a market situation in which there are a few firms selling homogeneous or differentiated products. It is difficult to pinpoint the number of firms in 'competition among the few.' With only a few firms in the market, the action of one firm is likely to affect the others. An oligopoly industry produces either a homogeneous product or heterogeneous products.

5. Monopolistic Competition:

Monopolistic competition refers to a market situation where there are many firms selling a differentiated product. There is competition which is keen, though not perfect, among many firms making very similar products. No firm can have any perceptible influence on the price-output policies of the other sellers nor can it be influenced much by their actions. Thus monopolistic competition refers to competition among a large number of sellers producing close but not perfect substitutes for each other.

Plant location

Location, localization and planned location of industries are often felt to be synonymous. But, the distinction among these three terms is of immense importance. Entrepreneurs locate their enterprises where the cost of production comes, the lowest at the time of establishing industries. This is known as 'location of industries'.

The concentration of a particular industry mainly in one area, as occurred with many industries in India, for example, textile industry in Mumbai is known as 'localisation of industries'. 'Planned location of industries' is a term whereby the location of industries is planned to give each industrial area a variety of industries so that large industries are dispersed and not localised.

It was Alfred Weber (1929) to whom the credit of enunciating the theory of industrial location went when his magnum opus "The Theory of the Location of Industry," was published in German in 1909 and English in 1929.

The early theories of industrial location carried out the analysis on a simple framework where the locational and special diversification was simply determined by an adjustment between location and weight distance characteristics of inputs and outputs.

Factors affecting plant location

- (i) Availability of Raw Materials
- (ii) Proximity to Market
- (iii) Infrastructural Facilities
- (iv) Government Policy
- (v) Availability of Manpower
- (vi) Local Laws, Regulations and Taxation
- (vii) Ecological and Environmental Factors
- (viii) Competition
- (ix) Incentives, Land costs. Subsidies for Backward Areas

(i) Availability of Raw Materials:

One of the most important considerations involved in selection of industrial location has been the availability of raw materials required. The biggest advantage of availability of raw material at the location of industry is that it involves less cost in terms of 'transportation cost.

If the raw materials are perishable and to be consumed as such, then the industries always tend to locate nearer to raw material source. Steel and cement industries can be such examples. In the case of small- scale industries, these could be food and fruit processing, meat and fish canning, jams, juices and ketchups, etc.

(ii) Proximity to Market:

If the proof of pudding lies in eating, the proof of production lies in consumption. Production has no value without consumption. Consumption involves market that is, selling goods and products to the consumers. Thus, an industry cannot be thought of without market.

Therefore, while considering the market an entrepreneur has not only to assess the existing segment and the region but also the potential growth, newer regions and the location of competitors. For example, if one's products are fragile and susceptible to spoilage, then the proximity to market condition assumes added importance in selecting the location of the enterprise.

Similarly if the transportation costs add substantially to one's product costs, then also a location close to the market becomes all the more essential. If the market is widely scattered over a vast territory, then entrepreneur needs to find out a central location that provides the lowest distribution cost. In case of goods for export, availability of processing facilities gains importance in deciding the location of one's industry. Export Promotion Zones (EPZ) are such examples.

(iii) Infrastructural Facilities:

Of course, the degree of dependency upon infrastructural facilities may vary from industry to industry, yet there is no denying of the fact that availability of infrastructural facilities plays a deciding role in the location selection of an industry. The infrastructural facilities include power, transport and communication, water, banking, etc.

Yes, depending upon the types of industry these could assume disproportionate priorities. Power situation should be studied with reference to its reliability, adequacy, rates (concessional, if any), own requirements, subsidy for standby arrangements etc. If power contributes substantially to your inputs costs and it is difficult to break even partly using your own standby source,

entrepreneur may essentially have to locate his/her enterprise in lower surplus areas such as Maharashtra or Rajasthan.

Similarly adequate water supply at low cost may become a dominant decisional factor in case of selection of industrial location for leather, chemical, rayon, food processing, chemical and alike. Just to give you an idea what gigantic proportions can water as a resource assumes. Note that a tone of synthetic rubber requires 60 thousand gallons, a tone of aluminum takes 3 lakhs gallons, and a tone of rayon consumes 2 lakh gallons of water.

Similarly, location of jute industry on river Hoogly presents an example where transportation media becomes a dominant decisional factor for plant location. Establishing sea food industry next to port of embarkation is yet another example where transportation becomes the deciding criteria for industrial location.

(iv) Government Policy:

In order to promote the balanced regional development, the Government also offers several incentives, concessions, tax holidays for number of years, cheaper power supply, factory shed, etc., to attract the entrepreneurs to set up industries in less developed and backward areas. Then, other factors being comparative, these factors become the most significant in deciding the location of an industry.

(v) Availability of Manpower:

Availability of required manpower skilled in specific trades may be yet another deciding factor for the location of skill- intensive industries. As regards the availability of skilled labour, the existence of technical training institutes in the area proves useful. Besides, an entrepreneur should also study labour relations through turnover rates, absenteeism and liveliness of trade unionism in the particular area.

Such information can be obtained from existing industries working in the area. Whether the labour should be rural or urban; also assumes significance in selecting the location for one's industry. Similarly, the wage rates prevalent in the area also have an important bearing on selection of location decision.

While one can get cheaper labour in industrially backward areas, higher cost of their training and fall in quality of production may not allow the entrepreneur to employ the cheap manpower and, thus, establish his/her enterprise in such areas.

(vi) Local Laws, Regulations and Taxes:

Laws prohibit the setting up of polluting industries in prone areas particularly which are environmentally sensitive. Air (Prevention and Control of Pollution) Act, 1981 is a classical example of such laws prohibiting putting up polluting industries in prone areas. Therefore, in order to control industrial growth, laws are enforced to decongest some areas while simultaneously encourage certain other areas.

For example, while taxation on a higher rate may discourage some industries from setting up in an area, the same in terms of tax holidays for some years may become the dominant decisional factor for establishing some other industries in other areas. Taxation is a Centre as well as State Subject. In some highly competitive consumer products, its high quantum may turn out to be the negative factor while its relief may become the final deciding factor for some other industry.

(vii) Ecological and Environmental Factors:

In case of certain industries, the ecological and environmental factors like water and air pollution may turn out to be negative factor in deciding enterprise location. For example, manufacturing plants apart from producing solid waste can also pollute water and air. Moreover, stringent waste disposal laws, in case of such industries, add to the manufacturing cost to exorbitant limits.

In view of this, the industries which are likely to damage the ecology and environment of an area will not be established in such areas. The Government will not grant permission to the entrepreneurs to establish such industries in such ecologically and environmentally sensitive areas.

(viii) Competition:

In case of some enterprises like retail stores where the revenue of a particular site depends on the degree of competition from other competitors' location nearby plays a crucial role in selecting the location of an enterprise. The areas where there is more competition among industries, the new units will not be established in these areas. On the other hand, the areas where there is either no or very less competition, new enterprises will tend to be established in such areas.

(ix) Incentives, Land Costs, Subsidies for Backward Areas:

With an objective to foster balanced economic development in the country, the Government decentralizes industries to less developed and backward areas in the country. This is because the progress made in islands only cannot sustain for long. The reason is not difficult to seek.

“Poverty anywhere is dangerous for prosperity everywhere.” That many have-not’s will not tolerate a few haves is evidently clear from ongoing protests leading to problems like terrorism. Therefore, the Government offers several incentives, concessions, tax holidays, cheaper lands, assured and cheaper power supply, price concessions for departmental (state) purchases, etc. to make the backward areas also conducive for setting up industries.

It is seen that good number of entrepreneurs considers these facilities as decisive factor to establish industries in these locations. However, it has also been observed that these facilities can attract entrepreneurs to establish industries in backward areas provided other required facilities do also exist there.

For example, incentives and concessions cannot duly compensate for lack of infrastructural facilities like communication and transportation facilities. This is precisely one of the major reasons why people in spite of so many incentives and concessions on offer by the Government, are not coming forward to establish industries in some backward areas.

(x) Climatic Conditions:

Climatic conditions vary from place to place in any country including India. And, climatic conditions affect both people and manufacturing activity. It affects human efficiency and behaviour to a great extent. Mild and cold climate is conducive to higher productivity. Likewise, certain industries require specific type of climatic conditions to produce their goods. For example, jute and textiles manufacturing industries require high humidity.

As such, these can be established in Kashmir experiencing humidity-less climate. On the other hand, industrial units manufacturing precision goods like watches require cold climate and hence, will be established in the locations having cold climate like Kashmir and Himachal Pradesh.

(xi) Political Conditions:

Political stability is essential for industrial growth. That political stability fosters industrial activity and political upheaval derails industrial initiatives is duly confirmed by political situations across the countries and regions within the same country. The reason is not difficult to seek.

The political stability builds confidence and political instability causes lack of confidence among the prospective and present entrepreneurs to venture into industry which is filled with risks. Community attitudes such as the “Sons of the Soil Feeling” also affect entrepreneurial spirits and may not be viable in every case.

Besides, an entrepreneur will have also to look into the availability of community services such as housing, schools and colleges, recreational facilities and municipal services. Lack of these facilities makes people hesitant and disinterested to move to such locations for work.

Scales of production

Small Scale Industry

- (i) These industries employ less number of persons and capital.
- (ii) Most of the work is done by manpower, small machines and tools.
- (iii) Raw materials used are less and the production is consequently less.
- (iv) They are scattered in rural and urban areas and are in the private sector, e.g., cycle, T.V., radio.

Large Scale Industry

- (i) These industries employ a larger number of persons and capital.
- (ii) The work is done mostly by larger machines and laborers.
- (iii) Raw materials and used is large and there is mass production.
- (iv) They are located in urban centres and are in the public sector or run by big industrialists, e.g., Cotton textiles, Jute textiles.

Assignment Topic: Demand Forecasting Techniques

CHAPTER 3. MANAGEMENT - INTRODUCTION TO MANAGEMENT

MANAGEMENT

Management is “the art of getting things done through people” as defined by Mary Parker Follet. This definition throws light on the fact that managers achieve organizational goals by enabling others to perform rather than performing the tasks themselves. Management encompasses a

wide variety of activities that no one single definition can capture all the facets of management. That is why, it is often said that there are as many definitions of management as there are authors in the field. However, the definition given by James A.F. Stoner covers all the important facets of management. According to him: "Management is the process of planning, organizing, leading and controlling the efforts of organization members and of using all other organizational resources to achieve stated organizational goals. According to George R. Terry, "Management is a distinct process consisting of planning, organising, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources". According to Henry Fayol, "To manage is to forecast and to plan, to organise, to command, to coordinate and to control". According to Peter Drucker, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work". According to Harold Koontz, "Management is the art of getting things done through and with people in formally organized groups". According to Mary Parker Fallett, "Management is the art of getting things done through people".

Thus management is

a continuous process;

Several interrelated activities have to be performed by managers irrespective of their levels to achieve the desired goals;

Managers use the resources of the organization, both physical as well as human, to achieve the goals;

Management aims at achieving the organisation's goals by ensuring effective use of resources in the best interests of the society.

NATURE OF MANAGEMENT

The study of management in a systematic way as a distinct body of knowledge is only of recent origin. That is why, management is often described as "oldest of the arts and youngest of the sciences". Thus, the practice of management is not new. It has been practiced for thousands of years. But the science part of it 'the systematic body of knowledge' is, no doubt, a phenomenon of the present century. Man's quest for new ways of doing things, coupled with his ingenuity in adopting the scientific and technological inventions in the production of goods and services resulted in:

- Mass production in anticipation of demand;
- Advent of corporate form of organization which facilitated large scale production;
- Spectacular improvements in the transport and communication facilities;
- Increased competition for markets;
- The establishment of new employer – employee relationship; and
- A radical change in the aspirations and expectations of the various stakeholders of business.

MANAGEMENT IS SCIENCE AND ART

Management as an academic body of knowledge has come a long way in the last few decades. It has grown in stature and gained acceptance all over the world. Any branch of knowledge to be considered a science, (like the ones we have – physics, chemistry, engineering, etc.) should fulfill the following conditions

- the existence of a systematic body of knowledge encompassing a wide array of principles;
- principles have to be evolved on the basis of constant enquiry and examination;
- principles must explain a phenomenon by establishing cause- effect relationship;
- the principles should be amenable for verification in order to ensure accuracy and universal applicability.

Looked at from this angle, management as a scientific discipline fulfils the above criterion. Over the years, thanks to the contributions of many thinkers and practitioners, management has emerged as a systematic body of knowledge with its own principles and concepts. Principles help any practicing manager to achieve the desired goals. Art refers to the ‘know-how’ – the ways of doing things to accomplish a desired result. The focus is on the skill with which the activities are performed. As the saying goes ‘practice makes a man perfect’, constant practice of the theoretical concepts (knowledge) contributes for the formation and sharpening of the skills. Therefore, it may be concluded that ‘management is both a science and an art’.

PURPOSE OF MANAGEMENT:

The management is an ability to establish vision and direction in order to influence/ direct others towards a common purpose and empower and inspire people to achieve results or success. Although, processes and procedures play a part, management is all about commanding interest and inspiring trust on people, getting things done, having a vision and uniting teams, providing creative freedom in individual, etc.

The purpose of management is quite obvious. It is simply the procedure/process/quality that is applied in a work process either for a team or for an individual in order to complete the task successfully and hence achieve the ultimate goal.

Direction, coordination and control of group efforts: In business, many persons work together. They need proper direction and guidance for raising their efficiency. In the absence of guidance, people will work as per their desire and the orderly working of enterprise will not be possible. Management is needed for planning business activities, for guiding employees in the right direction and finally for coordinating their efforts for achieving best/most favorable results.

Orderly achievement of business objectives: Efficient management is needed in order to achieve the objectives of business activity in an orderly and quick manner.

Performance of basic managerial functions: Planning, Organising, Co-ordinating and Controlling are the basic functions of management. Management is needed as these functions are performed through the management process.

Effective communication at all levels: Management is needed for effective communication within and outside the Organisation.

Motivation of employees: Management is needed for motivating employees and also for coordinating their efforts so as to achieve business objectives quickly.

Success and stability of business enterprise: Efficient management is needed for success, stability and prosperity of a business enterprise

FUNCTIONS OF MANAGEMENT

According to D. E. McFarland, "Management is the distinct process by which the managers create, direct, maintain and operate purposive organisation through systematic, co-coordinated and cooperative human efforts". According to Gemp R. Terry, "Management is a distinct process consisting of planning, organising, actuating, and controlling, performed to determine and accomplish objectives by the use of people and other resources".

The essential functions/elements/components of Management Process are four.

Planning

Organising

Directing and

Controlling.

The elements in the management process are actually the basic functions of management these functions constitute the management process in practice. Management process is in fact, management in practice. This process suggests what a manager is supposed to, do or the basic functions that he has to perform while managing the job assigned to him.

1. **Planning:** Planning is the primary function of management. It involves determination of a course of action to achieve desired results/objectives. Planning is the starting point of management process and all other functions of management are related to and dependent on planning function. Planning is the key to success, stability and prosperity in business. It acts as a tool for solving the problems of a business unit. Planning plays a pivotal role in business management It helps to visualize the future problems and keeps management ready with possible solutions.
2. **Organising:** Organising is next to planning. It means to bring the resources (men, materials, machines, etc.) together and use them properly for achieving the objectives. Organisation is a process as well as it is a structure. Organising means arranging ways and means for the execution of a business plan. It provides suitable administrative structure and facilitates execution of proposed plan. Organising involves different aspects such as departmentation, span of control delegation of authority, establishment of superior-subordinate relationship and provision of mechanism for co-ordination of various business activities.
3. **Directing (Leading):** Directing as a managerial function, deals with guiding and instructing people to do the work in the right manner. Directing/leading is the responsibility of

managers at all levels. They have to work as leaders of their subordinates. Clear plans and sound organisation set the stage but it requires a manager to direct and lead his men for achieving the objectives. Directing function is quite comprehensive. It involves Directing as well as raising the morale of subordinates. It also involves communicating, leading and motivating. Leadership is essential on the part of managers for achieving organisational objectives.

4. **Controlling:** Controlling is an important function of management. It is necessary in the case of individuals and departments so as to avoid wrong actions and activities. Controlling involves three broad aspects: (a) establishing standards of performance, (b) measuring work in progress and interpreting results achieved, and (c) taking corrective actions, if required. Business plans do not give positive results automatically. Managers have to exercise effective control in order to bring success to a business plan. Control is closely linked with other managerial functions. It is rightly treated as the soul of management process. It is true that without planning there will be nothing to control It is equally true that without control planning will be only an academic exercise Controlling is a continuous activity of a supervisory nature.

FUNCTIONAL AREAS OF MANAGEMENT

There are five main functional areas of management also called operational management or functional areas of management viz., human resource, production office, finance and marketing;. As being management, a social and universal process, its area is very wider. Inter disciplinary approach of management widens the functional areas.

Human resource management: Human resource development or personnel management or manpower management is concerned with obtaining and maintaining of a satisfactory and satisfied work force i.e., employees. It is a specialized branch of management concerned with 'man management'. The recruitment, placement, induction, orientation, training, promotion, motivation, performance appraisal, wage and salary, retirement, transfer, merit-rating, industrial relations, working conditions, trade unions, safety and welfare schemes of employees are included in personnel management. The object of personnel management is to create and promote team spirit among workers and managers.

Production management: Production management refers to planning, organization, direction, coordination and control of the production function in such a way that desired goods and services could be produced at the right time, in right quantity, and at the right cost. Some authors treat material, purchase and inventory management as part of production management.

- Production management involves the following functions:

- Product planning and development,
- Plant location, layout and maintenance,
- Production systems and machines
- Management of purchase and storage of materials,
- Ensuring effective production control.

Financial management: Financial management can be looked upon as the study of relationship between the raising of funds and the deployment of funds. The subject matter of financial management is: capital budgeting cost of capital, portfolio management, dividend policy, short and long term sources of finance.

Marketing management: Philip Kotler views marketing as a social and managerial process by which individuals and group obtain what they need and want through creating and exchanging products and values with others. American Marketing Association defines marketing management as the “process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational objectives.” The course content of marketing management generally includes: marketing concept, consumer behaviour, marketing mix, market segmentation, product and price decisions, promotion and physical distribution, marketing research and information, international marketing etc

ASSIGNMENT TOPIC: SKILLS AND ROLE OF MANAGEMENT.

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6. **Elementary Economics Theory – KK Dewett and JD Verma**
7. **An Introduction to Economics – ML Sethi**
8. **Advanced Economics - K.P.M**
9. **Indian Economics KK Dewett and JJ verma**

WEBSITES TO BE VISITED

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SYLLABUS



NATIONAL INSTITUTE OF TECHNOLOGY SRINAGAR
DEPARTMENT OF HUMANITIES & SOCIAL SCIENCES

1. Semester: 7th Sem “Department of Electrical Engineering”
2. Subject Code: HSS-301 Course Title: **Industrial Economics & Management**
3. Contact Hours: **L:T:P 3:0:0 Credits: 03**
4. Objective: This course is designed to introduce the students to the basic concepts of Economics and Management so as to enable them to give optimal performance during professional life.

Details of Course

S. No	Contents
<u>1</u>	<u>INDUSTRIAL ECONOMICS:</u> Meaning and importance of industrialisation. Organisations- various types of organisations. Division of Economics, Basic Constituents(Micro & Macro Economics)
<u>2</u>	<u>CONSUMPTION AND MARKET STRUCTURE:</u> Law of Demand and Elasticity of Demand, Consumer’s surplus, Utility and its measurement, Types of market structure – Perfect, Monopoly, Monopolistic and Oligopoly, Demand forecasting techniques. Meaning and factors influencing location of Industrial Units, Scale of production- large vs Small Industrial Units
<u>3</u>	<u>MANAGEMENT- INTRODUCTION TO MANAGEMENT:</u> Management and its nature, purpose and definitions. Process and functions of management- Planning, Organising, Actuating and controlling, Functional areas of management, skills and role of Management
<u>4</u>	<u>PLANNING:</u>

	<p>Nature and purpose of planning, types of plans, steps in planning process.</p> <p>Objectives: nature and importance of objectives, Types of objectives, primary, secondary, individual and personal objectives. Guidelines for setting objectives</p> <p>Decision Making: Importance and limitations of rational decision making, types of decisions- programmed and non programmed decision making. Process of decision making under certainty, uncertainty and risk.</p>
<u>5</u>	<p><u>ORGANISING:</u></p> <p>Nature and purpose of organising: steps in organising/ process of organising, formal and informal organisations; span of control & factors determining effective span.</p> <p>Decentralisation of Authority: Nature of decentralisation, degree of decentralisation, decentralisation as philosophy and policy</p> <p>Delegation of authority: Meaning of authority/delegation, steps in the process of delegation, factors determining the degree of delegation, art of delegation.</p> <p>Line/staff organisation: Line organisation, staff organisation, line and staff organisation, functional and committee organisation, the nature of line and staff relationship.</p>
<u>6</u>	<p><u>ACTUATING:</u></p> <p>Nature and purpose of Actuating, steps in actuating process.</p> <p>Essentials of Human Resource Management: Importance and functions of Human resource management, Importance of Human resource planning, Recruitment, selection, training and development, performance appraisal, compensation packages, promotions, transfers demotion and separation etc.</p> <p>Leadership: Meaning and importance, Leadership qualities</p> <p>Motivation: The need – want - satisfaction chain.</p>
<u>7</u>	<p><u>CONTROLLING:</u></p> <p>Nature and purpose of controlling, steps in controlling/ process of controlling, types of controls, recruitments of effective controls.</p>

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